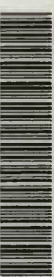


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# INDUSTRIAL

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# PEACE

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The Way to Secure  
Industrial Efficiency,  
Unity, and  
National Prosperity

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Frederick Gascoyne Williams



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# INDUSTRIAL PEACE

The Way to Secure Industrial  
Efficiency, Unity, and  
National Prosperity

By  
FREDERICK GASCOYNE WILLIAMS

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GEORGE ROBERTSON & CO.,

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## PREFACE.

In bringing this book under the notice of the public, and particularly of Employers, it may be as well to give one or two reasons for its publication.

When interviewing Employers on the subject of Co-partnership, I have invariably met with a reluctance on their part to deviate from the beaten track, due solely to certain misgivings. It is in order to try to dissipate these doubts that this work has been published. My sincerest hopes are, that with the up-to-date evidence obtained from the Old World, and in Australia, a clearer and greater conception of all that Profit Sharing involves may be elucidated.

Special attention is directed to the article, "Are Trades Unionism and Co-partnership Incompatible?" by Dr. C. Carpenter, D.Sc.M., Inst. C.E., Chairman of the South Metropolitan Gas Company, London.

The Industrial Warfare and troublous times ahead are too serious and acute to be treated with indifference. The first and great essential is to bring Capital and Labor together. The employer is the one necessarily looked to for making the first advance. We have a huge continent to build up and develop, and this cannot be accomplished amidst incessant industrial strife. Under the Profit Sharing System strikes are rarely known, due to the fact that labor settles down contentedly when, in addition to the standard wage, it participates in profits.

Having studied the principles of Co-partnership and Profit Sharing for many years, I am prepared to afford information relative to the various successful systems now in operation, and the ones most adaptable for any particular business.

I am greatly indebted to those who have so kindly assisted in supplying data.

F.G.W.

17 Malop Street, Geelong, Victoria,  
February, 1916.



## CHAPTER I.

### Capital and Labor.

**I**T is my purpose to bring into wider notice in the present time of industrial unrest, the advantages of Co-partnership and Profit Sharing as between Employer and Employee in Australia.

At the outset it is perhaps as well to emphasise the distinction between Co-partnership and Profit Sharing. The latter is a necessary element in the former, but only one of two, the other being Capital owning. The payment by a Capitalist to his workers of a share of the profit they help to produce may be an excellent thing according to the object sought by it and the system on which it is done; but many regard facilities for Capital-owning by the Employee in addition to participation in profits as being essential.

Capital and Labor must have realised ere this the utter futility of the present methods of settling grievances. Other means than those of having recourse to Wages Boards, Factories Acts, and Arbitration Courts, should be tried. These methods of Conciliation have been operating in our midst since the year 1897, with anything but satisfactory results. They are supposed to do away with strikes, but so far have proved ineffective, and act merely as a temporary expedient.

The Arbitration Court is staggering under its burden. It is a nice commentary upon all the efforts to build up this Arbitration Court system (to deal with industrial disputes) to find that the Court in October, 1914, was two years in arrears with its work, and that its awards are being continually flouted.

Man is essentially selfish and acquisitive. The Capitalist in the past has not had much consideration for his fellow-men, hence the present state of industrial unrest. The world is getting more humanitarian.

Professor Herman Merivale, some time Professor of Political Economy at Oxford, in a report to the Royal Commission on Trades Unions, stated:—"When a business is thriving, a surplus is earned above the ordinary rate of profit and wages in that business. It is this surplus which is occasional, and not determined by fixed laws, which is the fundamental reason of the existence and power of Trades Unions. The habitual code of sentiment which prevailed between Employers and workmen in the times when the former were regarded by both law and usage as the governing class has passed, and cannot be revived."

A substitute has, therefore, to be found based upon equity and enlightened self-interest, and a mutual forbearance which should exist between contracting parties who can best promote their several chances of advantage by aiding and accommodating each other.

Mankind will not be forced into any one line of action, but may be led by the closer ties of fellowship, creating thereby a better feeling.

Employers generally have failed to note the evolution of labor, which has been steadily in progress for the past 50 years; apt to forget that the other fellow wants to enjoy more of the comforts of life. Education has taught the workman to appreciate his position in the Industrial World as an important factor.

Every diligent employee should have placed within his reach the means and opportunity whereby he can secure a home of his own and ensure against old age. Consider what this would mean to Australia as a whole. For the year ending April, 1915, £2,758,509 was paid away in Old-age and Invalid Pensions, and for the year ending 31st December, 1914, in Maternity Allowances £695,795. What these figures will reach in a few years it is difficult to estimate, when in addition War Pensions and Compensations swell the list. Is there not something radically wrong in the Industrial System of a young country when it has to grant Maternity Bonuses—a continent such as Australia, which could contain within its borders Great Britain, France, Germany, Italy, Belgium, Austria-Hungary, Turkey, Servia, Bulgaria, Spain, and Rou-



mania, and then have space to spare? It cannot be said that all those in receipt of Old-age Pensions, etc., have been improvident. It has been due in a great measure to the conditions under which they have lived.

My contention is that the bulk of employees under existing circumstances, cannot hope to be independent in their old age.

I will endeavour to prove. Is the general worker any better off to-day than he was 10 years ago? Decidedly not. You will ask why, considering the rise in wages all round. That very statement helps to prove my contention. Let me quote our able Statistician, G. H. Knibbs, Esq. He states:—

“When wages form an appreciable fraction in the cost of production then if wages are made automatically and instantaneously to correspond to the price of commodities, the effect would be to advance them to an enormous figure, as any mathematician can establish. For with every rise in wages, commodities must also rise in their due proportion, that depending upon the fraction which wages form in the cost of the production of the commodities in question, and if this principle be put into force at all it must be made to apply to the production of all commodities. The fact is that the scheme is impossible in perpetuity, other economic factors would inevitably come in. A similar remark would, of course, apply to the reduction of the amount of labor given for a given wage. It would have an analogous effect.”

This is the statement of one who has made a study of the subject. Just one simple illustration:—

Take the case of building a house. Why is it so costly to-day compared to a few years back? Every portion of the material, be it wood or brick, that goes to make that structure naturally costs more than previous to the all-round rise in artisans' wages. Could it possibly be otherwise? Rest assured that wherever increased wages are paid (and there is no industry, trade, or business that you can point to that is not affected) so assuredly will the employer pass it on. It makes little or no difference to him; he is not the loser, nor does he intend to be. He merely has to adjust his prices.

The following monthly summary of Australian Statistics—May, 1915—show the Purchasing Power of Money as from 1901/1914, prior to the war:—

### PURCHASING-POWER OF MONEY.

Amounts necessary on the Average in each Year from 1901 to 1914 to purchase in each Capital Town what would have cost on the Average £1 in 1911 in the Australian Capitals regarded as a whole.

| Year | Sydney | Melb'rne | Brisbane | Adelaide | Perth | Hobart | Weighted<br>Average<br>of six<br>Capital<br>Towns |
|------|--------|----------|----------|----------|-------|--------|---|
|      | s. d.  | s. d.    | s. d.    | s. d.    | s. d. | s. d.  | s. d.   |
| 1901 | 17 10  | 17 5     | 15 5     | 17 3     | 20 6  | 17 5   | 17 7  |
| 1902 | 19 7   | 18 1     | 16 0     | 17 3     | 21 7  | 17 10  | 18 7  |
| 1903 | 19 2   | 17 7     | 15 9     | 16 9     | 21 8  | 17 11  | 18 2  |
| 1904 | 17 5   | 17 1     | 14 8     | 16 3     | 20 10 | 17 1   | 17 2  |
| 1905 | 18 9   | 17 7     | 15 5     | 17 6     | 20 11 | 17 9   | 18 0  |
| 1906 | 18 8   | 17 7     | 15 7     | 17 10    | 20 5  | 18 0   | 18 0  |
| 1907 | 18 6   | 17 6     | 15 11    | 17 11    | 19 9  | 17 9   | 17 11   |
| 1908 | 19 9   | 18 6     | 17 1     | 19 1     | 20 0  | 18 5   | 19 0  |
| 1909 | 19 9   | 18 1     | 17 0     | 19 10    | 19 9  | 19 0   | 19 0  |
| 1910 | 19 11  | 18 10    | 17 6     | 20 2     | 20 6  | 19 0   | 19 5  |
| 1911 | 20 7   | 19 0     | 18 4     | 21 2     | 22 6  | 19 1   | 20 0  |
| 1912 | 22 11  | 21 1     | 19 7     | 23 2     | 23 1  | 20 10  | 22 0  |
| 1913 | 23 7   | 21 0     | 19 5     | 22 5     | 22 6  | 21 1   | 22 1  |
| 1914 | 24 1   | 22 1     | 19 11    | 22 10    | 22 10 | 21 10  | 22 10   |

The foregoing statistics clearly demonstrate that from the year 1901 to 1914 the purchasing power of £1 has greatly decreased. What could be purchased in 1901 for 17s. 7d. costs in 1914 no less than 22s. 10d., that is an increase of 5s. 3d., or nearly 30 per cent.

In other words, Labor was actually better off in the year 1901 with lower wages, than in 1914 when wages were higher.

For example: Say that the weekly wage of an artisan in 1901 was £3/10/-, the equivalent wage in 1914 would be £4/8/4 (which he is not getting) allowing 26¼ per cent. for the decreased purchasing power of £1.

According to statistics, and the experience of most people, wages have not kept pace with the increased cost of living, hence strikes, and the general unrest. The whole industrial system is at fault, and can only be rectified by Labor producing more and Capital sharing profits with Labor. This passing on business is simply a huge farce, and must come to an end, sooner or later, that is, if we are to become a prosperous nation.



Though Labor can produce but little without Capital, Capital can produce nothing at all without Labor, and apart from Labor and Capital management is unemployed. Profit is produced by the three factors, it should in consequence be shared by all three. The Capitalist must invest his Capital, or it is useless to him. Labor is demanding a share of this profit Capital hitherto has solely retained for itself, and that demand is the cause of the present industrial trouble.

### **The Transformation of Capital.**

Those people who have nothing but scorn for any reform which is a modification of Capitalism, and who demand Nationalisation, should remember that such a transformation has never occurred in the world's history. Profit Sharing has been tried, and found to be a success. Nothing is more sure than that the Social System of the future is latent in the present social system, and that the new conditions to prevail will evolve therefrom.

But Labor, it is contended, gets its share (wages). Even so Capital gets its share (interest), and Management its share (salary). There remains a surplus profit. Why should not Labor, which has helped to produce, participate in the product? The usual answer is, "Labor will not share losses." Why then should it share profits? Labor does not cause loss, why then should it contribute? It is the owner of the Capital who is responsible for the manner in which it is managed. If there is a profit, labor has contributed, and should have some share. Lord Rutland, who shared profits with his laborers on an English agricultural estate, was asked if his men shared losses in bad years, to which he answered, "Yes, they worked all the same and got no profit, and if they had not worked as heretofore my losses would have been greater."

There is one thing which must be conceded for our present organisation of Industry, it sorts out the good executive. This is a most valuable and important service, and one often lost sight of. There is strong ground for the contention that of the three elements in wealth production—Management, Labor, and Capital, the first is the most vital, as it is the most rare. Co-partnership would transform Capitalism into more humane

and brotherly semblance, and yet leave the present sorting process at work, and the man of executive capacity where that sorting puts him, where he can direct unhampered the forces of Capital and Labor to their greatest economic effectiveness. That is to say, the proprietor of a business remains proprietor and master, but he calls his employees to share the profits, and sometimes in an advisory and consulting capacity to assist him in the management.

The Socialist will tell you to Nationalise everything, have, in other words, a Socialistic Government. Try and realise what this would mean. Tammany would be a fool to it. Corruption rampant. Business enterprise would be killed. That which has made our great Empire would cease entirely, and we should be a nation of Government officials. The very thought of it all is obnoxious and certainly would be unworkable. We all know what the Government stroke means, and the disregard of business methods in its undertakings. How different all this is when Employers have their own Capital at stake. The proportion of Capital lost (that is, wasted) is only kept down to a minimum by the present system of private ownership, which keeps Capital in the hands and under the control of the successful man and takes it away (by loss) from him who has not the skill to administer it wisely. If trained business men hesitate to venture very far into the difficult realm of nationalisation, what likelihood is there that a man who has been pitchforked by political accident into a Minister's chair will be competent to administer it, in its entire length and breadth. Entire nationalisation would put the ultimate control of the nation's Capital into the hands of Cabinet Ministers. Is it possible by legislation to redistribute the wealth of the world? You may redistribute wealth, but how to keep it in a state of equilibrium.

Profit Sharing is the only likely remedy.

Railways and Tramways could be better managed and more profitably by private enterprise, on a profit-sharing basis. We have only to take our Railways as an example. Who can deny but that the Political element largely enters into the management of most Government concerns? State enterprises by the various Governments throughout the Commonwealth, are, with few exceptions, a rank failure.



We know that there are those who profit by Industrial War. It is their business to oppose Industrial Peace, to thrive upon the cupidity and at the expense of others. Labor is the most interested. It is for them to decide. They must not be turned aside by those whose interests it is to mislead, but use their every reasoning power and be very critical of all arguments against this proposal for peace. Industrial Strife falls most heavily on the Wage-Earner; in every case he is the ultimate sufferer.

Ruskin said to the wage-earners of England:—"I beg you most solemnly to convince yourselves of the partly comfortable, partly formidable fact that your prosperity is in your own hands, an effectual advancement towards true felicity must be by individual, not public effort. Certain great measures may aid, certain revised laws guide such advancement, but the measure and law which first have to be determined are those of each man's own house."

### Strikes.

Strike, it mattered not the reason. It mattered not the worker's condition. If wages were ample, then strike for less work. If the work was insufficient, then strike for a minimum wage. If no grievance could be found, then strike because there was none. The demagogues (belonging to neither side), did not toil in the mills nor did they employ labor. Theirs it was to feed upon the carcass of the worker and wrest power from the hands of those who possessed it. Whatever happened they must be the winners in the game they played, nor did it matter one iota to them who might be the sufferers by their juggling.

Their one marketable commodity is their power of stirring strife. They belong to a class of their own, an unscrupulous, ambitious, self-seeking race of intelligent creatures whose sole aim is publicity and power, which in the end must yield them that position and plenty which they decried in others. It mattered little to them what they preached, vituperating from the summit of an upturned tub or hurling invective from the benches of the Legislature, anything they undertook must be paid for at their own market price. These were the microbes of industrial unrest.

**The Thinker.**

Every man is entitled to a fair share of the profits of his toil. He is entitled to a life of comfort and happiness in proportion to the service he gives in the world's work. Labor forget, or they seem to, the fundamental principle of a civilization. They seem to forget that to which civilization owes its every existence (and to whom civilization owes its existence), to the few, not the many; civilization owes its progress to the Thinkers, not the mere toilers. Battles are won by organization which is the work of the Thinker, not the mad uncontrolled rush of a rabble army.

The mill owner is the Thinker who must find a market for the wares produced in his mills, or there is no work for the laborer. He must found that mill or it does not exist. He must spend a life of anxious thought and ceaseless effort, exhausting his nervous forces till he often becomes a mental wreck, which no mere privations could reduce him to, and such as the mere toiler could never have to endure. The Thinker will harness nature's forces in a manner which will ultimately provide work for millions. But until he harnesses that power that work is not possible. And so it would be quite easy to go on indefinitely illustrating the fact that Labor owes its well-being, almost its existence, to the Thinker. Has the Thinker no right to reap the reward of his efforts?

Deny the right to profits. Deny the right to a luxury which others less endowed by Nature in their attainments can enjoy, all mankind being made alike, with powers of enjoyment alike, with a life that is one and the same, deny the right for one to be privileged over another in the creature comforts, deny the right to a power in the individual which can be dishonestly used to the detriment of his fellows. If labor denies all these things then appeal to the Creator to make all men of equal capacity in thought, morals, and muscle. Equality cannot be forced upon a world where the Divine Creator has seen fit to make all things unequal. The principles of life cannot be changed. Let the sledge hammer of Socialism be turned loose, let it crush the Employers of Labor as it will. Life will remain the same. It will go on as before. The thinkers will continue to live in the same luxury. All that



can be done is to better the lot of the worker within given limits. Make the limit such as to leave him with incentive sufficient to lift him from the ranks in which he is enlisted, should his capacity prove adequate for promotion. The man who tells them they have a right to more than the market value of their daily toil is a liar, committing a crime against both Society and Labor itself.

### **Co-partnership.**

It is not a shilling or two more per week, it's a share in the direct product of their labor.

What in the course of three or four generations produces men of different mental and physical calibre? The circumstances of their bringing up, the life they have to lead, their education, their environment. What chance has Labor under present conditions? None. As the years pass on they will be better paid. What will it amount to? A few shillings a week more, the same life, the same anxieties, the same daily grinding toil, machine-like, leading them nowhere, because there isn't a way out.

Education, clean living, freedom from sordid anxieties would be telling on the workers as their physical condition improved, so would their minds, as the conditions under which men live become more equal, so will their brains become more equal to their power of acquiring wealth. It may be the work of fifty years, perhaps more; it is the end at which we should aim, absolute partnership between Capital and Labor, a partnership which would be eternal because in the course of time the two would become one.

It isn't only a few shillings more per week that are owing to Labor; it's another Social system—a rearrangement of the whole scheme of life under which they and their children's children may live with the dignity and freedom due to them. History for the last 1,000 years has shown us the slow emancipation of the peoples of the world. There are many rungs in the ladder yet to be climbed. Recollect that the Employer would pay the same standard wage; but, by giving extra attention to his work and in keeping down expenses, Labor would have a share in the profits. Say that to-day, under the present con-

ditions, Labor is giving 75 per cent. of its whole energy (putting on one side the keeping down of expenses), under the new conditions it would give 100 per cent. Is not the Employer able to give that extra 25 per cent. by way of a bonus, and something further? The incentive to work would necessarily be greater. Now, the point I wish to bring home is that, under the Profit-Sharing System, it does not entail any extra cost in the production of commodities, like a rise in wages; it is made up of mutual concessions. See the marked difference—a direct and substantial benefit.

How few devote any time or attention to the great question of how we may arrive at a better distribution of wealth! Shall we rest satisfied with anything short of the wholesome comforts and refinements of life being within the reach of all? There cannot be industrial peace or the highest national prosperity with anything less.

Co-partnership provides a vehicle for the expression in modern industrial life of the principle acted upon by our Lord, that power should be regarded as a trust for others. It gives opportunity for industry, it counteracts the monotony of modern specialisation of work by giving every workman the wider outlet of a personal interest in the entire enterprise.

These aspects of the movement are infinitely more important than the fact that it really does give the employee a fairer share of the wealth he hopes to produce. It means giving to the Employer and Employee alike an interest and a meaning in and for themselves, which will help to make the hours we all devote to them times of true living, not periods of mere existence. A peculiarity in human nature is how it "fights back" its own uplift. Every movement which germinates from the inspiration and hope of benefiting mankind finds its greatest obstacles in the very ones whom it hopes to benefit.

Profit Sharing increases the gross product of industry. Surely the bigger the gross product the bigger Labor's share is likely to be. Nothing is more certain than that Labor's share cannot be increased by decreasing the gross product of industry. All work is indirectly for the community.



The man who can lay 500 bricks in eight hours without hurting himself, and only lays 300, undermines his own character, dwarfs his own capacity and energy, and daily becomes less a man.

While strikes hinder our industrial progress, while class warfare obtrudes into our politics, while our members remain almost stationary, and our vast task of developing Australia is trifled with, great world movements which threaten to engulf us swing forward with giant strides. Strikes rarely take place where Profit Sharing is established. Obviously there is no necessity when employees get the standard wage, and, in addition, share in the profits.

Cessation of class warfare is one of Australia's first needs. If every strike may be thought of as possibly a nail in the coffin of our Commonwealth, every successful scheme of Co-partnership may be considered as a pillar in the edifice of an enduring national life. But there is more than patriotism—there is the service to humanity. What satisfaction is there that wealth and success ever bring which can compare to what Sir W. H. Lever must have experienced when on the occasion of announcing and expounding his Co-partnership plan, he listened to the tumultuous applause of his thousands of loyal and contented employees making the rafters ring again and again.

Deep, very deep might the time markings be on the walls of their houses, i.e., in Sunlight Villages created by the firm. Dark might the oak of their gables grow, but lightly, very lightly might the hand of time rest upon their beloved chief and his family.

What a marked contrast to the present attitude in Australia between employer and employee! Which is the right feeling? Undoubtedly that which binds the two classes together. Capital and Labor must work hand in hand to advance Australia in the great industrial race of the nations, otherwise we stand a great risk of being supplanted and losing our identity.

## CHAPTER II.

### Australian Industrial Warfare.

Australia legislates against strikes.

The following particulars will illustrate how non-effective this legislation is, and the approximate cost to the country of Industrial Tribunals, also loss in wages for the years 1913-14, and for the period ending 30th June, 1915:—

#### COST OF INDUSTRIAL TRIBUNALS IN EACH STATE OF THE COMMONWEALTH.

NOTE.—In Queensland, South Australia and Tasmania, Industrial Acts were not in force in those years in which the spaces are blank.

| Year ended<br>30th June | New South<br>Wales<br>† | Victoria<br>‡ | Queensland<br>§ | South<br>Australia<br> | Western<br>Australia<br>¶ | Tasmania<br>** |
|-------------------------|-------------------------|---------------|-----------------|------------------------|---------------------------|----------------|
| 1903                    | £<br>*                  | £<br>890      | £<br>...        | £<br>...               | £<br>*                    | £<br>...       |
| 1904                    | *                       | 1,371         | ...             | **                     | *                         | ...            |
| 1905                    | *                       | 1,755         | ...             | *                      | 2,195                     | ...            |
| 1906                    | *                       | 730           | ...             | *                      | 2,110                     | ...            |
| 1907                    | *                       | 1,534         | ...             | *                      | 1,902                     | ...            |
| 1908                    | *                       | 2,412         | ...             | *                      | 1,676                     | ...            |
| 1909                    | 3,137                   | 2,592         | *               | *                      | 1,603                     | ...            |
| 1910                    | 8,821                   | 3,253 }       | 4,800           | *                      | 1,628                     | *              |
| 1911                    | 8,525                   | 7,825 }       | *               | *                      | 1,936                     | *              |
| 1912                    | 10,474                  | 9,226         | 1,176           | 1,377                  | 1,943                     | 1,613          |
| 1913                    | 13,653                  | 11,761        | 1,452           | 769                    | 2,025                     | 1,787          |
| 1914                    | 14,455                  | 8,139         | 2,046           | 382                    | 2,527                     | 1,158          |
| 1915                    | 9,154                   | 4,591         | *               | *                      | 2,067                     | 486            |

\* Particulars not available.

† Cost of Industrial Boards only and not including the cost of the Court of Industrial Appeals.

‡ Cost of Wages Boards only and not including the cost of the Court of Industrial Appeals.

§ Cost prior to 1912 of Wages Boards and subsequently of Industrial Boards only, and not including the cost of the Court of Appeals or the Industrial Court.

|| Cost of Wages Boards only and not including the cost of the Court of Appeals or the Industrial Arbitration Court.

¶ Cost of Court of Arbitration including the cost of lay members, but not including the salary of the President.

\*\* Cost of Wages Board only.

The latest figures for the Commonwealth Arbitration Court are as follow:—1912, £4047; 1913, £4690; 1914, £6450.

The figures given herein total the sum of £177,143, as furnished by the Commonwealth Statistician. They are only approximate, and very incomplete, as will be noticed by reference to the table of figures, and therefore cannot be taken as showing the whole total cost of Industrial Tribunals from the year 1897-1915; sufficient, however, to illustrate how costly the whole business is.

|  |                 |
|--|-----------------|
| Approximate cost of Industrial Tribunals to 1915 | £177,143        |
| Cost of Wages Boards to September, 1915 . . .    | 54,013          |
| Total . . .                                      | <u>£231,156</u> |

Disputes for the years 1913-14 and for the period ending 30th June, 1915:—

|   |     |
|---|-----|
| 1913—Number of Disputes for the year . . . . .                        | 206 |
| 1914—Number of Disputes for the year . . . . .                        | 334 |
| Number of Disputes for the period ending 30th<br>June, 1915 . . . . . | 118 |

|                                       |            |
|---------------------------------------|------------|
| Total Disputes for 2½ years . . . . . | <u>658</u> |
|---------------------------------------|------------|

|   |        |
|---|--------|
| 1913—Number of Workers involved . . . . . | 49,913 |
| 1914—Number of Workers involved . . . . . | 70,931 |

|  |                |
|--|----------------|
| Total Workers involved for 2 years . . . . . | <u>120,844</u> |
|--|----------------|

|  |         |
|--|---------|
| 1913—Number of working days lost . . . . . | 618,635 |
| 1914—Number of working days lost . . . . . | 998,251 |

|                                    |                  |
|------------------------------------|------------------|
| Total days lost, 2 years . . . . . | <u>1,616,886</u> |
|------------------------------------|------------------|

|  |          |
|--|----------|
| 1913—Estimated loss of Wages . . . . .                                 | £286,006 |
| 1914—Estimated loss of Wages . . . . .                                 | 499,957  |
| Estimated loss of Wages for period ending<br>30th June, 1915 . . . . . | 173,006  |

|   |                 |
|---|-----------------|
| Total loss of Wages, 2½ years . . . . . | <u>£958,969</u> |
|---|-----------------|



The loss in wages for  $2\frac{1}{2}$  years is thus close upon one million sterling. From this illustration one can realise in a measure what the loss to Australia must have been during the past 30 years, since strikes first originated.

### **Multiplication of Industrial Awards.**

The employees of the firm of Anthony Hordern and Son, Sydney, are working under no less than 41 different awards.

The report of the committee on the affairs of the Cockatoo Island Dock, New South Wales, page 15, states:—"The work of the island is carried on under no less than 51 separate industrial awards."

As the General Manager, Mr. King Salter, rightly remarks: "Here I am working under 51 awards, and new ones keep cropping up every day. How on earth can a man run an establishment of this sort and meet the contending forces of 51 different awards? Several Unions cover one industry. There are two Painters' Unions and three Carpenters' Unions." No wonder the cost of turning out a cruiser at Cockatoo Island is roughly 50 per cent. in excess of what the cost would be in England. It must take the General Manager all his time to study these awards and to see that he is not infringing any of them. Whilst this system continues—and it is growing daily—so long will our Industries be handicapped. Notwithstanding that we are in the throes of the greatest war that the world has ever known—Industrial warfare is even more rampant than in times of peace.

It is all very well for the worker to ask for higher wages (after all, he needs them under the present conditions, in order to cope with the ever-increasing prices of Commodities). Wages can only, however, reach a certain level, when they must automatically recede, for the very simple reason that the cost of production would be so great that it would be impossible for Australian products—primary or manufacturing industries—to successfully compete in the world's markets.

If the wealth produced by a community is, say, £2 per week per adult, it is no use for the mass of adults to expect to be able to live at the rate of, say, £4 per week.



The whole possibility is limited by the economic output. The total wealth produced divided by the number of adults who are to share it, is all that each can possibly get, and no escape from this fact. If you want to live on a better scale you must produce more, that is, either work harder or work more efficiently or both combined. That Nation which works the hardest and the most efficiently must assuredly dominate the Nation that works lazily and inefficiently.

Labor has much to learn if it is to weather the coming storm; Capital has even more. If the moral for Labor is maximum production as the only way to make up for the waste of wealth during the war, the moral for Capital is maximum taxation as the only way of meeting the State's new burden of debt.

Differences between Capital and Labor cannot effectively be dealt with by Acts of Parliament, that must be left to the parties themselves to settle. As Carlyle truly observed: "All reform, except a moral one, will prove unavailing. Political reform can, indeed, root out the weeds, but it leaves the ground empty, ready either for noble fruits or for new worse tares."

## CHAPTER III.

# Are Trades Unionism and Co-partnership Incompatible ? \*

It will probably conduce to a clearer understanding of the problem to be discussed if some consideration is given by way of preface, not so much as to what we mean when we speak either of Trades Unionism or of Co-partnership, but rather to definition of the aims of both. We will then endeavour to discover whether, either in the goal to be reached or in the paths thereto to be traversed, incompatibility exists.

Broadly speaking, the trades unions may be grouped under two heads, viz., those of skilled and unskilled workers, of the artisan and the laborer. There is, of course, no hard and fast line of demarcation between the two, as a greater or less degree of skill is necessary in following all industrial callings. As examples, may be mentioned occupations involving the handling of a shovel or the swinging of a hammer, though these operations would, however, require on the part of the workman dexterity rather than such craft as would be exercised in, let us say, constructing the panels of a door truly and rectangularly, or in preparing the supports or bearings for a crank-shaft so that it may easily revolve in them.

It would occupy too long to discuss in detail the particular aims of the many unions registered in Great Britain, and it must suffice to use certain examples as illustrations.

For this purpose we may take the Amalgamated Society of Engineers as a type of one of the older unions of skilled tradesmen, and the National Union of Gasworkers and General Laborers as an example of the newer combinations of the unskilled workers.

The former was founded more than sixty years ago, it has a membership of upwards of 120,000, and its objects are set out in its rules as follows:—

(a) To protect and regulate the conditions of labor in, and the relation of its members with, the engineering trades.

\* Paper read before the British Association for the Advancement of Science at the Birmingham Meeting, September 11, 1913, by Dr. Charles Carpenter, D.Sc., M. Inst. C.E., Chairman of the South Metropolitan Gas Company (London).



(b) To assist its members when out of work or in distressed circumstances; to support them in case of sickness, accident, or by superannuation; to supply them with legal assistance in obtaining redress for accidents; and to provide for their burial and that of their wives.

(c) To assist such of them as desire to acquire possession of their dwellings.

(d) To aid by federation other societies having similar objects, and

(e) By extending its system of investments for co-operative productive purposes, to assist in altering the competitive system of industry for a co-operative system so as to secure for the worker a full share of the fruits of his labor.

The National Union of Gasworkers and General Laborers was founded more recently—hardly twenty-five years since—and its rules state the following to be its objects:—

(a) To shorten the hours of labor and obtain a legal eight hours working day; to abolish wherever possible overtime and Sunday labor, or, where not possible, to obtain payment at a higher rate; to abolish piecework; to raise wages; and, where women do the same work as men, to obtain for them the same rates of pay.

(b) To abolish the present system of contracts and agreements between employer and employed, and to enforce the provisions of the Truck Act.

(c) To settle labor disputes by amicable agreement wherever possible, and to obtain equality of employer and employed before the law.

(d) To provide relief for the disablement of its members.

(e) To obtain legislation for bettering the lives of the working class, and

(f) To secure the election to Parliament and Municipal Bodies of members of the Union pledged to the collective ownership of the means of production, distribution, and exchange, and to assist similar organisations having similar objects.

It will be obvious from this comparison of the aims of the two societies taken as examples, that trades unionism does not always mean quite the same thing, and this view will be

emphasised by reference to the foreword with which each set of rules is introduced to the members of the respective organisations.

The engineers' union assumes that every artisan following a given occupation has an interest in forming rules by which that particular trade shall be regulated, and by concentration of means to enable himself to make his power felt, and obtain security against the risks to which he would otherwise be exposed. It points out that although during employment its members may obtain the necessities of life, yet the fear of loss of work is not absent, and its happening brings with it the shattering of the worker's hopes of improving by frugality his social condition. Finally it expresses the belief that if its members do their duty, not only may a craft or trade be handed on to a future generation, but also the means of maintaining its best interests until some more general principle of co-operation shall come into being, whereby every man has the full enjoyment of the product of his labor.

The gasworkers' organisation strikes another and a different note. It affirms that in trades unionism lies the hope of the workers for the future, but the unionism must be one which definitely assumes that to-day there are only two classes, the producing working class and the possessing master class, and that the interests of each class are opposed to those of the other. No help, it is stated, can be expected from the masters as a class, the workers' only hope being in themselves, an army of labor which by its organisation and union is marching steadily forward to its goal—the Emancipation of the Working Classes.

Here, then, we have two trades union pictures, painted, not by the author, but by the organisations themselves, and the finishing touches in both instances are as recent of application as a year ago, within which time their rules have been in both instances brought up to date.

Let us now turn our thoughts to the object sought by Co-partnership. Whatever the particular industrial organisation may be, labor skilled and unskilled is essential to it in greater or less degree, and the employer goes into the market with the primary idea of obtaining his requirements as cheaply



as possible. In many cases the trades union has been there before him and settled the hours to be worked and the rates to be paid to the workers, and the employer has to make the best of the human material thus provided, the tenure of its employment being not infrequently terminable by one hour's notice, rarely more than a week's, on either side. The Co-partnership employer, however, goes much further. In effect he says to the laborer, "I want something more than a hireling. I am willing to take you into my business as a partner. I will pay you the rates of wages and you shall work the hours which are customary in the trade. If you sign an agreement of service with me, in return I will undertake by it to share with you the profits we make together, I largely by brains, you largely by labor, after, say, 4 or 5 per cent. has been paid as interest on the capital I have laid out." One other factor has to be brought into the partnership—namely, its duration. In the case of carrying out specific work, such as the construction of a harbor or the building of a ship, the time limit of the partnership may be the completion of the respective tasks; in the case of continuing businesses such as the working of a railway, or the manufacture of chemicals, the agreements may be for yearly or quarterly periods renewable from time to time.

Having thus stated definitions, we can now proceed to consider relations. I will begin by referring to a historic one, that between the South Metropolitan Gas Company and the Gasworkers' Union. Gas manufacture is a continuous process; that is to say, it has to be carried on day and night. Prior to 1889 the labor in London, though not in some other parts of the country, was provided by a day shift and a night shift of men, thus dividing the twenty-four hours into two parts. In the spring of that year the Union put forward a demand for the day to be divided into three eight-hour shifts instead of two twelve-hour shifts, without reduction in pay. This was granted. But instead of being content with so great and bloodless a victory the leaders organised a sort of guerilla warfare. Scarcely a week passed but some concession would be demanded, often too unreasonable to be given willingly, but generally too small to risk a quarrel over, until at last it was openly spoken, "You have only to ask for gold

watches and you'll get them." Such was the temper of the retort-house men in the autumn of 1889, when it became apparent that the seeds of their discontent were beginning to spring up among the artisans, mechanics, and laborers who formed an equally large and important part of the staff, and who said in effect, "It is time we asked for something." Mr. George Livesey (as he then was) felt the moment was ripe to act, and offered his profit-sharing or Co-partnership scheme to all of his employees who chose to accept it.

I must pause here for a moment to give a word of credit to the man who first publicly proposed the sharing of gas works' profits with employees. The sliding scales under which London gas undertakings carry on their work originated with Mr. Livesey, and by them, as is well known, only a fraction of any profit made above 4 or 5 per cent., as the case may be, goes to the shareholders, the major part passing automatically to the consumers by way of reduction in the price they are charged for gas. In 1882 Mr. Thomas Travers, manager of the Cork Gas Works, in a paper upon "Industrial Co-partnership," expressed the opinion that Mr. Livesey "only performed half the work when he settled the sliding scale for the benefit of the consumers and the proprietors, and omitted the workers on whom the labor devolved of making it a success. He had no doubt that Co-partnership would be the system of labor in the future." Mr. Livesey's remarks upon the occasion are very interesting. He is reported to have said that "he always felt the work would not be complete if it stopped at the shareholders. After the sliding scale principle was adopted he brought the matter before the directors of his Company, but they would not hear of it."

In 1889 wiser counsels prevailed, and the Board listened sympathetically to his voice. The profit-sharing scheme was thus started and agreements of Co-partnership were voluntarily entered into by all the Company's repairing staff, but the stokers would have none of them. Three stokers, however, signed on, and when the Union heard of this it demanded their removal from the works and that of all other men who had entered into agreements, as well as the abolition of the profit-sharing scheme. The demand was not complied with, and, after a week's notice, in the middle of December the whole



of the retort-house men went out on strike. The strike failed, and soon afterwards the secretary of the Union made a public speech in which he warned the people of London that a week's notice would not be given of the next one. As a result of this a declaration was incorporated in the agreements of employment that the workman signing was not a member of the Gas-workers' Union. This stipulation has, however, long since been omitted, for the fear of strikes has lost its terrors under Co-partnership, and unionists are as eager as non-unionists to sign for assured service. One other fact deserves to be recorded; it is that since 1889 the wages of gas stokers in London have been twice substantially increased on the initiative of the companies, and without the intervention of the Union.

So much for the attitude of one trades union to Co-partnership. On the other hand, the same Company employs a large number of other workers than the retort-house men; for instance, artisans of all kinds, bricklayers, carpenters, plasterers, plumbers, machinists, fitters, etc., and no antagonism has ever been shown to the Company's Co-partnership by their respective unions. The right of combination among workers is admitted without question by the advocates of Co-partnership. The payment of trades union wages rates is equally accepted as a principle by them, and the question of hours is nowadays not likely to give rise to difficulty.

Let us now discuss the matter of the agreements specifying definite periods of service, which are held up as a bogey by some opponents of Co-partnership. One would almost think that signing a Co-partnership agreement was equivalent to taking the King's shilling. As a matter of fact, there is no such analogy. Taking the agreement of the Company referred to as a type, it is a mutual bargain on the following basis. The Company contracts to employ the man for a fixed period if he remains sober, honest, and industrious, and able to perform his work. The man agrees to work in the capacity in which he is employed at the current rate of wages (which it is stipulated shall not be reduced during the running of an agreement) and, further, to obey the orders of the foreman in charge. In return he gets a share in the profits, amounting at the present time to  $8\frac{1}{4}$  per cent. on his wages. The con-

tract can be cancelled by mutual consent before its expiration if it is found that the man's services can be dispensed with without detriment to the Company. The agreements do not terminate all together on one particular date. If the signing on were for a particular job this would be possible, and the method is indeed adopted by the Company in filling its seasonal as distinct from its regular requirements of labor. The great bulk of its employment is, however, continuous year in and year out, and in such cases they terminate in about equal quantities every month. Oh! it is said, but this prevents men striking simultaneously or putting forward organised demands for shorter hours, better wages, or improved working rules, and all chance of going out on a sympathetic strike is averted. Nothing of the sort! No agreement of service would keep an organised body of men from striking if they were earnestly of opinion that their conditions of employment were unfair or unjust. They would strike despite any agreement they had entered into. If an association of, or individual, workers adopted such a course they would certainly run the risk of consequent punishment by fine or imprisonment. The workers in whatever industry was concerned would first have to make up their minds that the game was worth the candle. They are perfectly well able to weigh the pros and cons, and to arrive at a conclusion concordant with their interests.

It is conceivable that, having been once bitten, they or their organisation might say, "We will adopt as a principle no more agreement signing in future." But nearly twenty-five years' experience proves that without exception unionists and non-unionists alike are willing, nay eager, to sign agreements assuring them of employment, whether such unionists are engineers or gas stokers. Moreover, while workers are under agreements, there is nothing whatever to prevent their bargaining either by themselves or through their organisation, in respect of hours, or wages, or conditions. If strikes are to take place, it would be better for them to be the result of deliberate judgment than hastily and ill-considered actions. Agreements will in all cases afford time for reflection and give opportunity for some other and less primitive course to be adopted than "downing tools."



This advantage is not the employer's only gain by Co-partnership. More profit accrues by reason of the extra zeal and care exercised by his workpeople. His men are loyal, diligent, and trustworthy. Supervision is lightened, waste of time and material is lessened, and greater pains taken to satisfy the requirements of the firm's customers. Above all a spirit of contentment has arisen, not by any means from sacrifice of hope in the future, but, for the first time in most cases, by reason of an understanding of the principles upon which the industrial constitution is founded, and the knowledge that the opportunity to share in the wealth it produces has been accorded.

What are the alternative and usual terms of employment? An hour's notice in many cases, a week's in most others. At the expiration of that notice the father of a family is no longer a wage earner, income from his toil ceases. Is there any wonder that the laborer should give in return for his hire no more than he is compelled? The South Metropolitan Gas Company has had immunity from strikes or the fear of strikes for nearly twenty-five years, and during all that period its employees have been enjoying the benefit of assured service for, in the majority of cases, yearly terms, in the minority, quarterly. Cannot a picture be formed of what that must mean? And is it not infinitely better than providing for the contingency of striking which may never happen?

It may be convenient to state here that when the allocation of profits under Co-partnership is spoken of by its advocates they refer to those which arise after all requirements of the business, either necessary or voluntary, have been met. For instance, the provision of workmen's dwellings, institutes, holidays, pensions, etc., are considered purely as charges on the business, and not as being in any sense of the word a distribution of a share of profits arising out of the Co-partnership.

Just as the peer and the peasant have an equal right to the protection of the State, though their stake in it may greatly differ, so I hold that the worker should have accorded to him the right to share in the profits of the business with which he associates himself. I do not say an unrestricted right. Obliga-



tions must be mutual. But Parliament should recognise the principle that, capital and labor being essential to each other, their partnership should be the basis of all hiring or service agreements.

It has been sometimes urged that labor becomes less mobile under Co-partnership. Less mobile by reason of holding some stock or shares in an industrial organisation? Where does the immobility arise? Does not the possession of wealth make us more mobile rather than less, seeing that we have thereby the means necessary to enable us to avail ourselves of opportunities for locomotion?

Fortunately there is an exact reply to such a criticism by reason of the fact that some statistics are available as to what actually happens in the case of the Co-partnership undertaking to which reference has been made. They do not go back very far, as the information has only been tabulated during the last four or five years. These records show that since 1908 no less than 293 men have left the Company's service to proceed to the colonies, selling stock to an aggregate value of £8,585, an average of £29 6s.

In certain cases, it is true, employees voluntarily make some sacrifice of their mobility in order to acquire the houses they wish to live in. In the same Company 116 Co-partners have bought their houses outright at a cost of £29,839, while 272 are still buying, having already paid towards the purchase £41,512. The figures as to the workmen's holdings are very interesting. On December 31 last 5593 Co-partner employees held in their own name stock with a nominal value of £301,480, or an average of £54 per man. In addition to this, £8,635 is held by trustees on behalf of 2931 employees. How much is possessed by those who have left or retired from the Company's service, or by the descendants of those who have died, is unknown.

These are great results, but Co-partnership as practised by the South Metropolitan Gas Company has achieved much more. For many years it has had a mutual fund for providing allowances in case of accident. In 1892 it inaugurated a system by which the co-operative principle was invoked to reduce the number of industrial accidents. Since then every accident

to life or limb has been the subject of enquiry by juries of Co-partners, who endeavour to trace causes and suggest remedies.

| YEAR.       | No. of Men Employed. | No. of Accidents. | Percentage of Men meeting with Accidents. |
|-------------|----------------------|-------------------|---|
| 1898 ... .. | 3,664                | 299               | 8.16                                      |
| 1899 ... .. | 3,903                | 297               | 7.60                                      |
| 1900 ... .. | 4,488                | 318               | 7.08                                      |
| 1901 ... .. | 4,920                | 315               | 6.40                                      |
| 1902 ... .. | 5,019                | 259               | 5.16                                      |
| 1903 ... .. | 5,071                | 286               | 5.63                                      |
| 1904 ... .. | 5,359                | 267               | 4.98                                      |
| 1905 ... .. | 5,478                | 243               | 4.43                                      |
| 1906 ... .. | 5,674                | 210               | 3.70                                      |
| 1907 ... .. | 5,707                | 269               | 4.71                                      |
| 1908 ... .. | 5,568                | 192               | 3.44                                      |
| 1909 ... .. | 5,726                | 206               | 3.59                                      |
| 1910 ... .. | 5,933                | 221               | 3.72                                      |
| 1911 ... .. | 6,226                | 246               | 3.95                                      |
| 1912 ... .. | 6,473                | 261               | 4.03                                      |

Moreover, a body, called the Co-partnership Committee, consisting of fifty-four officials and workmen in equal numbers, has met regularly for the last twenty-three years to discuss all sorts of questions pertaining to the welfare of the Company and its employees. The men's representatives are elected by ballot of the Co-partners, and one could not be present at a single meeting without being impressed by the advantages to be derived from educating employer and employed in the mutuality of their interests.

It is not improbable that the successes attained by the Co-partnership Committee and the Co-partnership juries were factors in determining Sir George Livesey to press for the inclusion of Co-partnership on the Board of Management of the Company. In the face of considerable opposition the scheme was carried, and since 1898 employee directors have had seats on the Board and taken their full share of its deliberations. The complete Board consists of ten members, three of whom are elected by the Co-partnership employees. The aggregate holding of employee shareholders empowering the election of employee directors is required to be not less than £200,000 nominal stock. The qualification of the em-



ployee director is two-fold, i.e., fourteen years' continuous service, and the holding for not less than one year prior to election and continuing to hold not less than £120 of stock. Criticism has been levelled against the system; on the one hand because the representation is proportionately largely in excess of that accorded to the ordinary shareholders, and on the other that the number of employees is too few to influence the decisions arrived at. An experience of fifteen years has shown that such objections have no foundation in fact. The employees' representation to be effective must be tangible, and not a mere matter of form. Influence is a matter of personality rather than majority, and the various choices made, though differing in kind, have always been excellent.

Let us now sum up and see how far it has been possible under a Co-partnership to reach the goals sought by the two Unions taken as examples at the outset of this paper. We will begin with the engineers.

[(a) To protect and regulate the conditions of labour in, and the relation of its members with, the engineering trades.]

No difficulty as regards conditions of labor or relationship with its members has arisen.

[(b) To assist its members when out of work or in distressed circumstances; to support them in the case of sickness, accident, or by superannuation; to supply them with legal assistance in obtaining redress for accidents; and to provide for their burial and that of their wives.]

The Co-partnership bonus provides a nest-egg available for special cases, such as loss of employment or distressing happenings. Mutual funds to provide for sickness, accident, and burial have existed for seventy-one years, and for superannuation fifty-eight years, whilst for the past twenty-one years the circumstances of every accident have come before a jury of workers.

[(c) To assist such of them as desire to acquire possession of their dwellings.]

The Co-partnership has enabled many to purchase their houses.

[(d) To aid by federation other societies having similar objects.]

The example of this Co-partnership has been followed in nearly every particular by many others.



[(e) By extending its system of investments for co-operative productive purposes to assist in altering the competitive system of industry for a co-operative system so as to secure for the worker a full share of the fruits of his labour.]

The value of the employees' holding in the Company for which they work is about £350,000.

Let us now deal similarly with the gasworkers.

[(a) To shorten the hours of labour and obtain a legal eight hours working day; to abolish wherever possible overtime and Sunday labor, or, where not possible, to obtain payment at a higher rate; to abolish piece-work; to raise wages; and where women do the same work as men to obtain for them the same rates of pay.]

The working day is one of eight hours throughout; overtime and Sunday labor are obviated as much as possible, but when unavoidable are paid for at higher rates. Piecework is, however, mutually preferred whenever it is possible to arrange it.

[(b) To abolish the present system of contracts and agreements between employer and employed, and to enforce the provisions of the Truck Act.]

Employment contracts are desired and voluntarily entered into by members of the Union in this as well as in other companies. Contributions to the various funds are only collected by the Company on the personal request of the employee.

[(c) To settle labour disputes by amicable agreement wherever possible, and to obtain equality of employer and employed before the law.]

The Co-partnership Committee provides machinery for this purpose with an equality of representation of workmen and officials.

[(d) To provide relief for the disablement of its members.]

The disabled are not only provided for, but means are continuously sought to reduce their number.

[(e) To obtain legislation for bettering the lives of the working class.]

Co-partnership and the provisions under it for workmen directors have been recognised by the Legislature.

[(f) To secure the election to Parliament and Municipal Bodies of members of the Union pledged to the collective ownership of the means of production, distribution, and exchange, and to assist similar organisations having similar objects.]

Co-partnership is put forward as being a solution of the labor problem in advance of that possible under what is called

collective ownership, each industry having its own colonies of workers contentedly endeavoring to improve their lot in life as well as to increase production.

In the foregoing I think I have proved that the goals both of Co-partnership and Trades Unionism cannot be regarded as incompatible. In conclusion, let me briefly refer to the paths by which those goals are to be reached, for it is therein that the great difficulties have lain in the past and exist to-day.

The employer in most cases regards the Union as an enemy; too often, it is to be feared, correctly. But the conditions of industry have not been in the past suitable to develop friendship between employer and employed, and the routes followed towards the progress it is in the interests of both to aim at have been chosen in most cases for fighting lines rather than as roads for peaceful traverse.

Under Co-partnership we have now incontestable proof that antipathy between master and man dies down, and mutual respect and friendship take its place. Trades unions will thus have no further need for their most cherished weapon, which they can afford to throw aside, and to journey side by side with the employers in a united pilgrimage towards the goal they will seek, as they must always seek, in common, the Triumph of their Industry.



## CHAPTER IV.

### Profit-Sharing from the Employer's Point of View.

“What is meant by ‘real’ profit sharing?”

“Simply this, an allotment to the employee of a proportion of any profit realised after paying salaries and standard rates of wages and interest on capital.”

“And this, you say, is a success?”

“Undoubtedly. It is not, of course, a magic corrective of incompetent management, or an antidote for bad trade, nor does it claim so great a moral influence as to make it impossible for employer and employed ever to quarrel. But it meets the worker's feeling that when profits exceed a fair interest on capital he is entitled to a share of the surplus he has helped to create. It produces that mutual understanding between employer and employed which the rise and reign of the factory system and the company system have made it almost impossible otherwise to secure. It shows the worker that he is not regarded as a mere machine, and so lessens the likelihood of any serious dispute between employer and employed. Moreover, by furnishing a moral and a monetary incentive to good work, it tends to the success of the business with which it is allied. The considerateness of the employer tends to evoke conscientiousness in the employee, and self-interest operates to sustain it. With men thus interested in their work management becomes easier, less expensive, and more efficient.”

“But you will not deny that there are difficulties? For example, it is easy to please employees by admitting them to a share of profits, but what happens if another year there be a loss?”

“This is really no difficulty at all. Men understand that when no profit is made there can be none to share. Profits given to workers are generally given either in cash (this is simple profit-sharing) or in scrip representing shares entitled to future dividends in cash (this is profit-sharing and Co-partnership). The shares are fully paid. If a loss occur in



any year, therefore, the worst that can happen to a worker is that he gets nothing but full wages that year and any shares he already has may depreciate in value. As, however, he paid nothing for the shares, he is no worse off than his friend at a non-profit-sharing concern; on the contrary, he can look back, perhaps, over several years when he has had a share in profits, and he has, may be, a good chance of future dividends. I can name a case where, two years in succession, no profit was made, but this caused no trouble with the workers. They and their employer pulled together, and for thirteen years since then they have never been without a share of profits; and this is not an isolated case."

"So, then, the employer is to share his profits, but shoulder his losses himself?"

"No employer would expect his workers, as workers, to share his losses. If they have become shareholders, that is co-partners, they share his fortunes, good or bad, according to the extent of their holding. An illustration: When introducing his now famous and highly successful profit-sharing scheme to the South Metropolitan (London) Gas Company, the late Sir George Livesey was met by one of the Directors with the old retort, 'Will the men share losses.' Turning to the Director, he said in effect, 'Sir, what do you estimate is the difference in value between a thoroughly contented well-satisfied workman who puts his heart into his work and one who is discontented and without real interest in his work? Is it five per cent.?' 'Five per cent.,' laughed the Director, 'why, it's twenty per cent.' 'Very well,' replied Livesey, 'in bad times the men will give you that extra 20 per cent. of value, and get nothing for it. In that way they share losses.' What is your next difficulty?"

"This: It is surely a risky thing to admit employees to a share in the control of one's business?"

"This is another bogey. Co-partnership, in its full development, no doubt seems logically to involve co-operation in management, but whether a voice in the control be given to the workers employed under profit-sharing, and, if so, to what extent, is a matter for decision in each case. If voting rights are given, the worker-shareholders' voting power is naturally

very limited at first, and though it grows as their share-holding grows, their experience is growing at the same time. There is no case I know where the worker-shareholders have injured any business."

"What is usual in this matter?"

"The practice of co-operation in management is much more important than the precise rules to regulate it. It is generally adopted in one way or another by successful profit-sharers; sometimes by joint committees or conferences; sometimes by the workers having votes as shareholders. In a few cases even employee-directors have been tried and found a success, but this, of course, is not essential."

"But at least a man would have to publish his balance-sheet, and what trouble that might cause! Let it show a decent profit, and there would at once be a cry for a rise in wages."

"This fear is also groundless. Public companies publish their results without being embarrassed in this way. But if the concern were a private limited company there would be no need to publish a balance-sheet, though, of course, the rate of dividend would be declared. All reasonable workers are willing that after they have had wages or salaries at standard or customary rates and the capitalist has had an agreed rate of interest on his capital, and he and they should share any surplus at, say, the same rate per cent. on capital and wages, or in any other proportion agreed upon beforehand. In a Co-partnership business the workers gradually become capitalists themselves, and in this capacity get the interest on the shares previously given to them, before capital (including their own capital) and wages have a further dividend. In a business where the personnel of the workers is constantly changing, profit-sharing in cash is more common than Co-partnership."

"You speak of giving or allotting shares; what about a man's family? Is an employer to give his business away?"

"That is not in the least necessary. The principles of profit-sharing and labor Co-partnership can be variously applied. Many businesses so expand that the workers' proportion of the profits can be given to them year after year in new shares representing new and needed capital. When this cannot be



done, the employer should, if possible, sell some of his own shares to be allotted to the employees, thus making them fellow-shareholders. If, for any reason, he cannot do this, or if, having thus sold part of his holding, he wishes to retain the rest, he may pay the workers' proportion in cash or in shares of a subsidiary company, e.g., a building society. Moreover, it can easily be arranged by the company that shares of workers who leave, or those held by the representatives of deceased employees, may be transferred at market value to present workers to capitalise their share of profits. Capital is thus circulated and the need for the expedients just mentioned is obviated or delayed."



## CHAPTER V.

### Co-partnership and Profit-Sharing as Successfully Practised.

In the "Labor Gazette" for September, 1914, the Board of Trade brings its list of Profit-Sharing schemes up to date. The original report issued in 1912 took note of 137 schemes; the total was increased to 143 in 1913; and now the losses are put at 5 and the gains at 13, making a net gain of 8, and raising the number of schemes in active working up to 152. As there is bound to be a certain leakage of either unsound or unfortunate attempts, this shows a satisfactory advance; it is, indeed, an increase of 15 in two years. The gas industry still supplies the largest number of new adherents to the principle in any one kind of business, but drapers, grocers, woollen merchants, printers, and others, are following suit. A far larger number of firms than 13—the number of fresh adherents in 1914—are considering the matter at the present time. These schemes of Profit Sharing are very diverse in their details, but the tendency towards capitalisation of the workers' share of profits still shows itself.

#### Gas Companies.

The chief industry which has adopted Co-partnership widely is the gas industry as carried on by public companies. A table showing the progress of these Profit-Sharing Gas Companies, is given hereunder:—

PARTICULARS OF CO-PARTNERSHIP AND PROFIT-SHARING IN BRITISH  
GAS COMPANIES AT DECEMBER, 31st, 1914.

| NAME OF COMPANY.       | No. of Years Scheme has been in operation. | Capital in 1914.<br>Total Share and Loan. | No. of Employees under Agreement for Profit-sharing or Co-partnership. | Amount divided among Employees for year ending December, 1914. | Amount per cent. on Wages. | Total Profit to Employees since scheme was adopted. | Amount of Shares and Deposits held by Employees in the Company. Market value on Dec. 31, 1914 (about). |
|------------------------|--|---|--|--|----------------------------|---|--|
|                        |  | £   |  | £  | %                          | £   | £  |
| South Metropolitan (a) | 25   | 8,325,340                                 | 6,303  | 49,189   | 8½                         | 691,596   | 450,683§   |
| South Suburban (b) ... | 21   | 1,406,205                                 | 948  | 6,376*   | 7½                         | 56,468  | 51,980   |
| Commercial ...         | 13½  | 2,548,280                                 | 1,245  | 7,135*   | 6                          | 73,081  | 65,880   |
| Chester ...            | 13   | 181,414                                   | 103  | 646*   | 7½                         | 4,105   | 3,124  |
| Leamington Priors ...  | 7  | 86,500                                    | 106  | 419  | 5                          | 2,659   | 2,719  |
| Wrexham ...            | 7  | 142,160                                   | 71   | 372  | 7½                         | 2,417   | 1,530  |
| Rugby ...              | 7  | 64,254                                    | 50   | 256  | 6                          | —   | —  |
| Tottenham, &c. ...     | 6½   | 1,905,509                                 | 765  | 5,397*   | 8½                         | 25,532  | 24,264   |
| Bournemouth...         | 6  | 837,687                                   | 491  | 3,427  | 8                          | 15,266  | 16,789   |
| Gardiff ...            | 5½   | 703,014                                   | 342  | 1,803  | 5½                         | 6,714   | 6,099  |
| Gloucester ...         | 6  | 238,762                                   | 109  | 632*   | 7½                         | 3,203   | 2,368  |
| Walker & WallSEND...   | 6½   | 271,468                                   | 102  | 458  | 4½                         | 2,398   | 5,380  |
| Wellingborough ...     | 6  | 90,853                                    | 64   | 347*   | 6                          | 1,827   | 6,694†   |
| Tunbridge Wells ...    | 6½   | 178,266                                   | 144  | 652*   | 6                          | 3,670   | 3,420  |
| Croydon ...            | 6  | 748,767                                   | 628  | 2,382‡   | 6                          | 12,412  | 12,546   |
| Weston-super-Mare...   | 6  | 146,070                                   | 112  | 346  | 4                          | 3,043   | 1,247  |
| Gas Light and Coke...  | 6  | 29,513,248                                | 9,617  | 45,653*  | 5                          | 228,516   | 191,622  |
| Grantham ...           | 6  | 106,068                                   | 49   | 216†   | 6                          | 1,122   | 839°   |
| Cambridge ...          | 5  | 200,177                                   | 186  | 972*   | 6½                         | 4,267   | 3,557  |
| Waterford ...          | 5½   | 70,900                                    | 53   | 325*   | 8                          | 1,351   | 869  |
| Ilford ...             | 5½   | 280,505                                   | 166  | 903  | 5½                         | 3,851   | 4,270  |
| Watford ...            | 5½   | 214,376                                   | 114  | 554  | 5                          | 2,743   | 2,942  |
| Dartford ...           | 6  | 117,346                                   | 48   | 205  | 4                          | 1,174   | 957  |
| Longwood ...           | 4  | 100,244                                   | 43   | 195†   | 7                          | 574   | 350  |
| Wandsworth, &c. ...    | 4½   | 1,209,221                                 | 790  | 5,333*   | 7                          | 13,885  | 9,836  |
| Merthyr Tydvil ...     | 4  | 81,253                                    | 35   | 141  | 5                          | 405   | 55   |
| Plymouth ...           | 4  | 409,017                                   | 322  | 781  | 3                          | 3,714   | 3,571  |
| Liverpool ...          | 3½   | 2,947,624                                 | 1,821  | 8,372*   | 5½                         | 25,395  | 31,710   |
| Harrow ...             | 3  | 333,956                                   | 99   | 426  | 5                          | 1,394   | 1,280  |
| Hertford ...           | 3  | 22,609                                    | 22   | 89   | 5½                         | 243   | —  |
| Aldershot ...          | 3  | 414,037                                   | 159  | 568  | 4½                         | 1,262   | 535  |
| Bridgwater ...         | 3  | 59,805                                    | 26   | 223  | 8                          | 623   | 751  |
| Canterbury ...         | 2  | 125,870                                   | 79   | 261  | 4½                         | 526   | 47   |
| Swansea ...            | 2  | 442,815                                   | 185  | 657*   | 4                          | 1,351   | 94   |
| Redhill ...            | 1  | 125,369                                   | 73   | 174*   | 3                          | 174   | —  |
| Ipswich ...            | ½  | 190,591                                   | 211  | 801*   | 5                          | 801   | 827¶   |
|                        |  | 54,839,580                                | 25,681   | 146,686  |                            | 1,197,762   | 908,835  |

(a) Three employee representatives on the Board. (b) Two employee representatives on the Board. § Upwards of £40,000 Stock belonging to pensioned employees and widows of co-partners has been transferred to the ordinary Share Ledger, and is not included in this figure. \* Year ending June. † Including large holdings acquired before commencement of scheme. ‡ Year ending, March ° Including presentation stock £139 at commencement to old employees. || Excluding capital purchased outside the scheme. ¶ Commenced with the gift of a year's dividend. ‡ Information for 9 months to March, 1914.



Only one Gas Company has ever stopped a system of Co-partnership after once adopting it, and that Company tried it for so short a time as to be no criterion of its worth. But there have been four amalgamations, which have reduced the number of companies, though not the amounts given in the table.

During 1914 two new Gas Companies started schemes, bringing the total number up to thirty-five.

It is well to note the constant growth of all the totals in the table of figures.

The Boston (U.S.A.) Consolidated Gas Co. adopted a Co-partnership scheme in June, 1907; the Co-partners elect a representative on to the Board of Directors. The Stafford Corporation Gas and Electric Department has practised Profit-Sharing for fifteen years, and for 1914 paid a dividend on wages of  $10\frac{1}{2}$  per cent., dividing £971 among 145 employees. The Hampstead Borough Council have adopted a scheme whereby employees of all grades share in differing proportions, according to the grade of each worker, in all profits in excess of a certain sum. It has been maintained that Profit Sharing, and even Co-partnership, could be applied to the productive departments of municipalities, and welcome this new experiment, especially as it is in London, and will doubtless attract attention from other London Municipalities. The Corporation of Burton-on-Trent have approved a Profit-Sharing scheme for the Municipal Gas Works, under which the employees will receive a dividend of  $\frac{1}{2}$  per cent. upon their wages for every 1d. by which the manufacturing cost falls below 2s. per 1000 cubic feet of gas sold. The Gas Department are issuing to all its gas workers a very clear explanation of the scheme. This shows that if the scheme had been working in 1913 the workers would have received a dividend on wages of  $5\frac{1}{2}$  per cent.; the dividend is not expected to be quite as large for 1914. These are, as far as we know, the only municipal experiments now being practised since that started in connection with the Belfast Corporation Tramways was stopped (temporarily at any rate) by a particular legal decision. The Stafford scheme is interesting also, because it applies to the generation of electricity as well as of gas. This



example was followed by the Notting Hill Electric Lighting Co. Ltd. two years ago. For 1914 a dividend was paid on wages at the rate of 8 per cent.

The South Suburban, late the Crystal Palace Gas Company, is a much smaller company, but it has adopted substantially the plan of the South Metropolitan. Its scheme began in 1894. The employees have received £50,090 as their share of profit, and they hold £47,139 of capital. They elected in 1907, for the first time, two directors on the board.

The scheme of the Gas Light and Coke Co.—the largest gas company in the world—is much younger, having been started in 1909. The profits allotted to the employees to date amount to £182,864, and over £172,019 is invested in the company's capital.

Co-partnership principles have made great headway in the gas industry. Many companies have adopted the principle since 1908, including, among the largest:—Bournemouth (1908), Cardiff (1908), Tottenham (1908), Croydon (1908), Gas Light and Coke—London (1909), and Liverpool (1912), making now a total of 37 companies.

Up to the present time about 24,697 employees are taking advantage of Co-partnership schemes in gas companies, having a total capital of £52,025,671, out of a total paid-up capital in gas companies in the United Kingdom of £92,000,000. These employees now hold £837,530 in the stock of the various companies, and have had allocated to them during the last year £140,107. The total amount allocated to labor since the introduction of the schemes has been £1,047,658.

### **Other Companies.**

Another method of applying Co-partnership principles has been adopted by Messrs. Lever Brothers, of Port Sunlight. The scheme provides for the creation of £500,000 par value Partnership Certificates, to be allotted to those who are considered desirable partners and who are 25 years of age and have been with the firm not less than five years. January 1st, 1901, was taken as the starting point of the scheme, so that those who at that date had been for five years in the employ of the firm and were 25 years of age became eligible

for these certificates. The value of the certificates which may be issued to an employee is based on the amount of salary, working out roughly at 10 per cent. of the salary per year, so that an employee receiving £100 a year, who has been employed for eight years and who is in other ways qualified may be allotted £80 in Partnership Certificates, this being increased by yearly increments of £10 until a maximum laid down in the scheme is reached. In the case of retired employees who have attained the age of 65 in the case of men, or 60 in the case of women, or those who have retired from ill-health before reaching these ages, or in the case of widows of employees, the Partnership Certificates will be changed into preferential certificates on the basis of ten years' purchase of the average dividends of the Partnership Certificates. As to dividends, first preference shares receive 5 per cent. and 6 per cent., as provided in the Articles of Association, then 5 per cent. is paid to ordinary shares, next 5 per cent. on preferential certificates held by the aged and retired employees, after which Partnership Certificates and ordinary shares participate equally in any profit, so that if it is possible to pay ordinary shares a further 5 per cent., making 10 per cent. in all, Partnership Certificates get 5 per cent. It is claimed that giving ordinary shares 5 per cent. start is perfectly fair, seeing that they represent cash paid or its equivalent, whereas in the case of the Partnership Certificates no cash is paid for them by the employee.

At the first distribution on July 23rd, 1909, Partnership Certificates representing nominal capital of £116,064 were distributed. To-day the total allotment of Co-partnership Certificates to employees is £373,000. The last distribution took place in January, 1915, when a 10 per cent. dividend on the certificates, amounting in all to £33,000, was announced by Sir William Lever, the total amount of dividend paid to Co-partner employees since the scheme was begun being £122,000. At first the dividend was paid in cash, but now it is paid in 5 per cent. preference shares of the company, which are the inalienable property of the Co-partner, and which he either retains as an investment or converts into cash at his pleasure. However, it is provided that the Lever Bros.' shares paid to the employees as their Co-partners' dividend, and con-



tinuously retained by them, shall also be credited with a bonus equal to the dividend earned on the Co-partnership certificate. Thus, the partner-employee who keeps his dividend in shares as an investment at 5 per cent. in the company, receives upon these shares 15 per cent. in all, or the same profit as the holders of the ordinary shares.

William Thomson and Sons, Ltd., of Woodhouse Mills, Huddersfield, have practised Co-partnership for twenty-seven years. Their trade for 1913 again showed an increase, and after payment of interest on loan stock left a profit of £4,626, of which £912 was credited to the workers. The firm accords ideal conditions to its employees, and a pension fund has been established, to which £500 was added this year out of the profits.

The interesting scheme of Messrs. J., T. and J. Taylor,\* of Batley, must now be mentioned. It was started in 1896, and at first was simple profit-sharing, but in 1909 Mr. T. C. Taylor, M.P., the head of the company, arranged the present scheme, as follows:—After meeting all wages and other fixed expenses, allowing for depreciation, etc., the first charge on any profit is 5 per cent. interest on share capital. Any surplus profit remaining after meeting this charge is divided at an equal rate per £ of capital and £ of wages; with this condition, that all those employees not less than 21 years of age, who had been five calendar years in the company's service, and who own shares to the amount of half a year's wages, receive double the bonus allotted to other employees. For instance, in a year when the bonus on wages is, say,  $7\frac{1}{2}$  per cent., an employee whose wages for the year amount to £70, who owns shares to the extent of £35, who is not less than 21 years of age, and has been five calendar years with the company, will receive bonus in shares on his wages at the rate of 15 per cent. instead of  $7\frac{1}{2}$  per cent., that is, he will get £10 10s. instead of £5 5s.

It had been all along Mr. Taylor's wish that the workers should ultimately become the owners of the business, and so he arranged that each employee must allow his profits to accumulate as shares until a sum equal to his year's earnings

\* Woollen Manufacturers.



is reached. When this minimum is reached the employee is at liberty to sell all further shares that he receives.

It is eighteen years since Mr. Taylor turned his business into a private limited company in order to extend his profit-sharing to all his employees. During the interval the employees have increased in number from 600 to 1600, and over £130,000 has gone to the workers in bonus shares, in cash dividends, and in allocations to and interest on the Workers' Benefit Fund. More than half the capital of the company is now owned by employees. The cash dividend on shares for 1913 was 10 per cent., the minimum bonus on wages (given in the shape of shares) 5 per cent., many of the employees receiving double bonus, viz., 10 per cent.

Under the "Limited Partnership Law," which came into operation on January 1st, 1908, a body corporate may become a limited partner in a business without interfering with the old trade name or in any way affecting the private character of the firm. This change in the law should very greatly promote the growth of Co-partnership arrangements in such cases, seeing that there are many employers who would be very glad to take their employees into partnership, but who do not see their way to registering their businesses with limited liability. A limited partner incurs no liability beyond the amount of his, or in this case its, share in the business, while the general partners remain responsible for the debts of the business to the full extent of all they possess, like the partners in any ordinary private business. On the other hand, the limited partner must not by law interfere with the management of the business, beyond exercising some very limited powers of consultation.

Messrs. Clarke, Nickolls and Coombs, Ltd.\* of London, have successfully worked an interesting profit-sharing scheme for some years. The business was founded in 1872, and became a limited liability company in 1887. In 1890 the shareholders sanctioned a scheme of profit-sharing with their workpeople. After paying the ordinary shareholders 6 per cent. on their capital, the surplus profits are divided in equal proportions between the workpeople and the shareholders, and the following figures show the result:—

\* Confectioners.

|   |        |
|---|--------|
| For 1890 the amount of profit paid to labor was | £1,400 |
| „ 1895  | 2,762  |
| „ 1900  | 9,500  |
| „ 1905  | 12,000 |
| „ 1910  | 9,500  |
| „ 1911  | 13,250 |
| „ 1912  | 10,000 |
| „ 1913  | 14,500 |

For the 24 years the total is £196,525. All who have worked one year participate in the profit, whilst the profit accruing to the wages of those who have not worked one year and fulfilled other necessary conditions is carried to a provident or superannuation fund. This superannuation fund will be available in 1915 for those who have served the company for 25 years, and now stands at £40,000. During the busy season over 3000 workers are employed. The bonus is given in cash, but every encouragement is given to the workpeople to acquire shares, and their holding is considerable.

In an interesting description of the scheme by the managing director, Mr. Alexander Horn, the following paragraphs appear:—

“In the development and perfecting of this scheme it will become not only the duty but the interest of the present managers to train up a disciplined body of workers from amongst whom may be appointed substitutes to take the place of those who in due course must retire from their present posts in the management. It will be a work of time, but each succeeding year should find the progress of evolution more rapid. To a great extent the rate of development will be in the hands of the workpeople.

“The principle of profit-sharing, but little understood, and unfortunately still less acted upon in England, has for many years been reduced to actual practice with the most satisfactory results in some foreign countries, and more especially in France, the house of Leclaire being one of the best known and most successful examples. The whole of this business now belongs to the workpeople, and is managed by themselves, and it is the desire and hope of the directors that a similar result may ultimately be achieved by the employees of the company.”



No account of Co-partnership schemes would be complete without a reference to the Maison Leclaire, Painters and Decorators, of Paris.

Leclaire came to Paris at the age of 17, in 1818, and while an apprentice earned about £4 a year beyond his board and lodging. At 20 his money earnings were only £45 a year, but at 26 he started for himself as a house decorator, and shortly afterwards was offering wages of 4s. 2d. a day instead of the recognised 3s. 4d. In 1838 he established a "Society of Mutual Help," and the next year started a scheme for paying foremen and older hands special extra wages. Then he inaugurated a scheme for dividing a share of the profits among the pick of his workmen, and in order to convince them of his sincerity he paid out the money due for the past year. Thus, in 1842, he divided £475 among 44 workmen; in 1843, £490 among 44; and in 1844, £780 among 82 workmen.

This profit-sharing scheme Leclaire brought to an end in 1863, for in that year he incorporated the "Mutual" as a sleeping partner in the business, adding £4,000 to its capital of £1,600. The partners were to receive 5 per cent. on their capital, and the sleeping partner—that is, the Mutual Help Society—was to have 20 per cent. of the remaining profits. In 1869 Leclaire withdrew from active work and the capital was fixed at £16,000, Leclaire supplying £4,000, his partner £4,000, and the Mutual £8,000. It was arranged that 15 per cent. of the profits should go to the managers, 35 per cent. to the Provident and Mutual Aid Societies, and 50 per cent. to the employees according to their wages and salaries. Altogether, since the commencement, the workers have received £328,029, and the Mutual Insurance £180,733.

The central body consists of all the fully-competent employees, and it elects the managing partners, who have all the powers and responsibilities of partners in a private firm. It also elects a conciliation committee to settle any disputes between employees and employer, and has other duties—especially the care of apprentices.

The Provident and Mutual Society consists of 130 members, and its assets in April, 1912, were £167,500. The society arranges for medical service, invalid pay, and pensions for its members, their widows and orphans, but it also provides



these in a lesser degree for those employees who are not members. In 1912 the sum of £9,674 was paid to some 230 people in these ways.

Mr. N. O. Nelson, the head of the N. O. Nelson Manufacturing Co., St. Louis, U.S.A., founded his Co-partnership scheme on that of Leclaire, and when he took his factory out into the country and built a model village for his workpeople he named it Leclaire.

I take the following from two letters of Mr. Nelson's, which, I think, will be found of interest:—"A quarter of a century ago this month (March, 1911) we started Co-partnership. From allowing an equal dividend on capital and wages, we have come to allotting all the profits to employees and customers, after paying simple interest on the capital. For the last six years dividends to wages have varied from 10 to 30 per cent., averaging 25. The dividends are paid in shares."

The workers (1100) and customers now own about two-thirds of the capital and surplus, say, £200,000 of £367,975. The business keeps increasing, and last year a new factory was built for making enamelled baths and lavatories. The model village of Leclaire, founded by this company, where it has one of its factories and where many of its workers live, is now twenty-four years old. Last year twenty-six new houses were built for employees and others, costing from £250 to £500. These are being bought by monthly payments of from £2 8s. to £5. It still "needs no law or police or boss; has no unemployed; a death-rate of three per thousand, and rarely an employee off sick."

Other large American companies which are described as having profit-sharing and pension plans are the United States Steel Corporation, with 180,000 employees; the International Harvester Company, with 50,000, and the Westinghouse Electric Company, with 30,000.

Foster, Sons and Company, Ltd., is a builders' company at Padiham, Lanes. It has arranged for its employees to organise and register themselves as an Employees' Investment Society under the Industrial and Provident Societies Acts. The Employees' Investment Society has become in its corporate

capacity a partner in the firm of Messrs. Foster, Sons and Company, Limited. By an agreement between the Company and the Employees' Investment Society, after all fixed charges have been met, and 5 per cent. interest has been paid on capital, 40 per cent. of the net profit goes to the Employees' Investment Society, and is credited in that society as £1 shares to the individual workers. The Investment Society invests the total amount in the company and holds the same in its corporate capacity, having representation at the meetings of shareholders proportionate to its investment in the company.

Perhaps one of the most interesting conversions of a private business to a labor co-partnership one is that of the famous Ironfoundry at Guise, in France, the history of which is described in an interesting work published by the Labor Co-partnership Association. The works at Guise and the branch establishment in Belgium employ over 2700 people in the manufacture of about 2000 articles of different kinds or different models. The selling price of the products leaving the works for 1911 was £340,000, and the wages paid exceeded £144,000.

The method of dividing the profits is fixed by the rules of the society. The first charge upon the gross profits, before any dividend is apportioned, are the amounts for:—

1. Depreciation of buildings and raw material.
2. Votes to the various mutual insurance funds.
3. The expenses of education.
4. The interest payable to the owners of saving certificates (or as we should say, accumulated shares).

What remains constitutes the net profits, and is divided as follows:—75 per cent. of it as dividend upon the wages of labor and the wages (or interest) of capital, and 25 per cent. of it as the reward of ability. In this way the partnership of capital, labor, and ability is realised. The following table shows the results of the 33 years from 1879 to 1911. The amount apportioned to the four different classes of workers into which the employees are divided are shown:—



75% OF THE PROFITS ARE DIVIDED UPON WAGES AND  
UPON THE INTEREST OF CAPITAL.

| Years     | Profits to Divide | To First Class Members | To Associates | To Profit Shares | To Helpers through Insurance Fund | To Reserve Savings | Total on Wages | Total on Interest |
|-----------|-------------------|------------------------|---------------|------------------|-----------------------------------|--------------------|----------------|-------------------|
| 1879-1911 | £ 526,395         | £ 115,450              | £ 56,424      | £ 96,765         | £ 62,978                          | £ 18,935           | £ 350,552      | £ 33,376          |

A glance over this shows that the workmen have received over and above their wages more than £350,000 out of the total profits divided in these 33 years, while capital has received over and above its wages or interest, about £33,000.

The following shows the amount apportioned to ability in the 33 years, 1879 to 1911, as £127,976.

25% OF THE NET PROFITS ARE ALLOWED TO ABILITY.

| Years     | To Managing Director | To the Committee of Management and Supervising Committee | Balance of the 16% allotted to Committee of Management | Maintenance of Pupils in the Government Schools | Reward for Useful Inventions | Total to Ability |
|-----------|----------------------|--|--|---|------------------------------|------------------|
| 1879-1911 | £ 28,948             | £ 65,724   | £ 18,499   | £ 4,277   | £ 10,528                     | £ 127,976        |

To complete the explanation of the financial regulations of the society, I must add that the employees are at present the owners of the whole capital, which was fixed at £184,000 by the deed executed in 1880 by Godin and his fellow-workers, and has since been increased to £242,000.

There are other cases where there is no sharing of profits upon wages, but where the employees are encouraged to invest in the shares of the business; or, again, where deposits are received from the workmen at a rate of interest fluctuating with the profits of the business. An example of the last kind exists in the great firm of Sir William Armstrong, Whitworth and Company, Limited, of Newcastle, which employs nearly 20,000 workmen. The following figures illustrating the growth of investments by these employees are of interest:—1901, £124,306; 1905, £195,500; 1910, £237,852; and 1911, £241,432. On these investments they receive a minimum of 4 per cent., with a fluctuating addition which may easily reach another 6 per cent., making in all 10 per cent., according to the profits of the business.



Messrs. Hazell, Watson and Viney, the well-known printers, have an interesting scheme for encouraging their 1500 employees to invest in the firm through shares and deposits. There are now 1016 deposit accounts open, and the amount on deposit at 4 per cent. is £13,799. As security the firm has placed 4 per cent. debentures to the amount of £14,000 in the hands of trustees, so that whatever happens to the business, the depositors are safe. Deposits may be withdrawn without notice, though the firm retains, as a safeguard, the right to ask for three months' notice. Some of this money is again used for thrift purposes by being lent to employees who may wish to buy a house, or in any other way to improve their position in life. By this means 72 loans have been granted, amounting to £15,444, of which upwards of £10,841 has been repaid. Connected with the loan is an insurance scheme, whereby if the borrower dies before the loan is repaid the whole debt is wiped off. They also have 730 members in a provident fund to which both the employees and the firm contribute. This fund has an invested capital of over £15,202, and gives benefits not only at death but also at the discretion of the trustees for exceptional sickness or calamity. It also provides, so far as funds permit, pensions of 10s. weekly to employees over 60 years of age, and there are now 25 of these pensioners. They also have sick funds, of which the majority of the employees are members. The shareholding of the employees is also growing. About 300 persons hold shares, which the company has enabled them to buy at less than the market value. The market value of the shares thus held is about £18,900.

|   |         |
|---|---------|
| Shares held by Employees .....                                    | £18,900 |
| Savings Bank Deposits .....                                       | 13,324  |
| Provident Fund .....  | 14,544  |
| Staff Pension Fund .....  | 1,604   |
| Thrift Fund, total loans granted (£13,472<br>amount repaid) ..... | 9,327   |

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Total . . . £57,699

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John Knight, Ltd.\*—This scheme has now been in operation for eleven years; under it all employees get a dividend on wages of roughly 1 per cent. for every  $\frac{1}{2}$  per cent. above 5 per cent. which the shareholders get. The employees' investments get interest at the same rate as share capital.

Court Laundry, Dublin.—Mr. H. C. Watson, the proprietor, states that because of the uncertainties caused by the war he did not have a half-yearly distribution, but is waiting for a complete year. Considerable publicity has been given to the scheme through the trade journal, "The Power Laundry," which described the scheme and recommended its adoption.

The scheme of Messrs. Plaistowe and Co., Ltd., jam manufacturers, continues very satisfactorily. A 10 per cent. dividend has again been distributed among the 450 workers who hold Co-partnership certificates.

The Co-partnership scheme which the Hon. Edward Strutt has for some years put into practice on an estate of Lord Rayleigh, is working smoothly and satisfactorily to all concerned, and the laborers' share capital is increasing in amount.

Messrs. Hasler and Clapham, Dunmow, seed merchants, report that the Profit-Sharing scheme which they started in 1910 is progressing very satisfactorily indeed, both, they think, from their point of view, also that of their employees. They add: "At the time of our annual gathering in September we had £1000 on deposit belonging to the employees, and during the year they have made very good use of the facilities given them of depositing and withdrawing their savings. The bonus for 1914 was 6 per cent. on the wages paid.

Messrs. E. S. and A. Robinson, Ltd., Bristol, wholesale stationers, state that their second distribution took place last April, for the eight months ending February 28th, 1914, when the dividend on wages was about  $5\frac{1}{2}$  per cent. on the wages earned.

Messrs. Johnson Bros., Ltd., dyers, who have a Profit-Sharing scheme for some of their workers at the Central Works at Bootle, and a somewhat different one for their branches, have recently adopted a scheme for encouraging workers to purchase special Employees' Shares. A year ago the working

\* Soap Manufacturers.



hours were reduced from 48 to 46 per week, and the firm seem quite satisfied with the result.

Messrs. Wm. Cory and Son have introduced a scheme under which all members of the Cory Thrift Society are given the right to subscribe at par for any number up to 100 of special Employees' £1 Shares. These shares will rank for dividend equally with ordinary shares, which have averaged 10 per cent. per annum for some years.

Grainger and Smith, Manufacturing Clothiers, at Dudley, have arranged that all employees who have worked the complete year shall receive a dividend on wages. The dividend will be capitalised and bear interest at 4 per cent., together with  $\frac{1}{2}$  per cent. for each 1 per cent. which ordinary shares receive above 6 per cent. For the year 1914 about £1200 will be divided among 300 employees.

The Farr Alpaca Co., Holyoke, Mass., U.S.A., adopted a scheme of Profit-Sharing at the commencement of 1914. In January, 1915, a dividend on wages of 8 per cent. was paid. The company have received a letter of thanks from the workers acting through their committee, in which they state:—"The employees of the company believe that this is one of the important steps which has been taken in this country to solve the relation between labor and capital, and hope that it not only will be continued, but may be the means of establishing an enduring feeling of goodwill between the stockholders and employees of the company."

A noteworthy incident took place at the annual meeting of Messrs. Ben Evans and Co., Ltd., at Swansea. A shareholder rose and suggested that whatever profit was made above 6 per cent. should be divided with the employees. Particular attention is drawn to this, as it shows that an ordinary shareholder can help forward the movement toward co-partnership and towards the general improvement of factory life. The suggestion was received most sympathetically by the Chairman, Mr. James Jackson, J.P.

Lord Rayleigh, O.M., known to the scientific world as the discoverer of argon, finding himself over 20 years ago in possession of a large acreage of agricultural land in Essex, came

to the conclusion that it was a breach of moral duty not to enter upon agriculture as a business. The management of his estate was handed over to his brother, the Hon. Edward Strutt, known as one of the ablest minds in agriculture, and the prosperous condition of the estate is evidence of his success. He introduced a bonus system to encourage his employees, 250 in number, to invest their savings in the farms, and agricultural Co-partnership was adopted in 1910. The men receive on their investments the dividends declared by the farms after all expenses, including the cost of management and rent to Lord Rayleigh and interest on his capital, have been paid, a minimum interest of 4 per cent. per annum being guaranteed. About 150 men have now become investors, and have nearly £4000 standing to their credit. In March, 1913, it was stated that the amount to be paid in bonuses, profits, and interest for the year just closed came to £1000. Mr. Strutt, who is President of the Surveyors' Institution, has now adopted Co-partnership on the farms owned by his firm, Messrs. Strutt and Parker, at Southminster, though not as a substitute for fair wages, for he has advocated the raising of agricultural wages, believing that low wages are uneconomical.

Mr. Theodore Taylor, of J. T. and J. Taylor, Ltd., of Batley, said: "For myself I never really enjoyed my business until I started labor Co-partnership. It doubles the pleasure and it halves the difficulties, because it does away with the greatest curse of industry—mutual distrust between masters and men." Sir George Watson, of the Maypole Dairy Co., Ltd., said recently that in his business a system of Co-partnership was adopted in 1898, with the result that the number of the firm's establishments between then and 1913 rose from 186 to 790, while the annual net profits advanced from £60,000 to £490,000. Sir Jesse Boot, Chairman of Boots Cash Chemists, Ltd., stated last June that they propose again this year to give a profit-sharing bonus of  $2\frac{1}{2}$  per cent., equal to an additional dividend of that amount on all shares held for a certain period by qualified chemists, stocktakers, or inspectors engaged in the retail chemists business of any of their associated companies, charging this against expenses of the current year. The profit-sharing and pension arrangements of Sir W. P.



Hartley, jam manufacturer, of Aintree, Liverpool, may also be mentioned. In 1912, on the twentieth anniversary of profit-sharing, £4,650 was distributed, bringing the total from the origin up to £71,155. At Romano's, Ltd., the well-known Strand Restaurant, the waiters have received a share of the profits for the last 10 years, during which period the trade has doubled. For the year 1913 it is stated a sum of £2700 was distributed out of profits amounting to £8,346. Sir George Watson advises the Boards of all large Limited Companies to inform their staffs and employees generally that in the future they will (in addition to their wages) divide amongst their employees a certain percentage (25 to 50 per cent.) of all increases in future profits in excess of the average of the previous three or five years—half of the increase to be paid in cash, the other half to be invested in shares of the company. This was the plan adopted by the Maypole Dairy Co., Ltd.

Provident funds are frequently found in connection with French profit-sharing schemes, and the management of the fund is in many cases entrusted to consultative committees chosen from the workers, which has the advantage of bringing them into relations with the firm that are at once human and equal, as do the conciliation committees of English profit-sharing firms.

Some of the oldest insurance companies in France are on a profit-sharing basis, and amongst other firms which have adopted the system may be mentioned the Bon Marché, of Paris, the well-known shopping establishment, with a turnover of £9,000,000 per annum; Laroche, Joubert and Company, of Angouleme, paper-makers, having a capital of £150,000; and also the Imprimerie Chaix, of Paris, printers of railway matter, which issues publications giving particulars of profit-sharing in France, Germany, Austria, and Switzerland. One of the most successful Co-partnership undertakings in Germany is the firm of Carl Zeiss, of Jena, where 3000 workpeople are employed in the manufacture of optical instruments, and 1000 in glass works. In 1891 the proprietor, Ernst Abbe, gave the works to the workers, the administration to be by a committee representing the factory, the University, and the Government. In 1899 Abbe introduced the eight-hour day, keeping

careful record of work done. In the first year they earned by piece-work about 3 per cent. more on the average than in the previous year, though the men for the most part were unaware of making extra effort.

At the annual meeting of the Labor Co-partnership Association held at the Westminster Central Buildings, London, on the 21st May, 1914, the following addresses (amongst numerous others) were given by the Director of Maypole Dairy Co., and the Manager of the Editorial and Social Department, Lever Bros., Ltd.:—

Sir George Watson spoke as follows about the Maypole Dairy, of which he is a Director:—

The Maypole Dairy Company, of which I have the honour to be Chairman, introduced Profit-Sharing twenty-four years ago. At first it was confined to the Managers and Heads of Departments, but later all the lower grades of their employees were allowed to participate, and now every adult male employee with three months service is interested therein.

Since the incorporation of the Company sixteen years ago, the large sum of £743,000 has been allotted to the employees of the Maypole Dairy Company Limited as their share of increase in profits. This amount has, however, taken the place of individual increases in wages or salaries with all except the lower members of the staff.

### **Co-partnership.**

The Maypole Dairy Company adopted Co-partnership five years ago, that is, nineteen years after the first introduction of Profit-Sharing. A part (as fixed by the Directors) of each employee's share in increased profits is handed over to the Trustees for investment in the shares of the Company, the employee interested getting the dividends whilst in the employ of the Company, and when he leaves the Company's service he gets half the then value of the shares and the other half of their then value three years later, unless the Company decides to give him the full value immediately he leaves their service.



The Maypole Dairy Company have now over 1500 Co-partnership Shareholders, and the present market value of their Co-partnership shares is more than £180,000, this is in addition to the Co-partnership shares held by the employees of the Maypole Dairy Company's subsidiary Companies, where Co-partnership and Profit Sharing has also been introduced during the last few years.

When Co-partnership was first adopted by the Maypole Dairy Company in the year 1909, the yearly profits were £302,912, whereas the profits for the year 1913 had grown to £489,643, and as Chairman of the Company I can testify to the great interest which is taken by all our employees to promote efficiency and progress and to prevent waste.

I feel convinced that the future will show that no large business can continue to be successful unless it does give its employees, more especially its managing employees, an interest in its success. Unless Profit Sharing and Co-partnership is adopted there will be more and more labor unrest, as employees will not continuously give their best efforts solely on behalf of a body of shareholders with whom they never come into personal contact, and who apparently take no personal interest in the welfare of the employees in the Companies in which they are shareholders.

It should not be difficult for the Chairman of any Company to induce his Board and Shareholders to give their employees, in addition to their wages, a proportion of all increases in profits, part of this increase to be paid in cash and the remainder invested in Trust shares, saleable only when the employee leaves the service of the Company.

This was the system which my Company introduced, and we have met with no practical difficulties from our shareholders or from our employees.

Success and increase in profits is generally attributable to hard work and able and progressive management, combined with increased efficiency and the prevention of waste, and the two latter essentials are very much dependent upon the employees.

I should be very pleased to give any employer particulars of the scheme we adopted, although I believe each employer

will prefer to introduce a scheme suited to the conditions of his particular business.

Mr. Alexander Paul spoke as follows about Messrs. Lever Bros., Ltd., where he is Manager of the Editorial and Social Department:—

There are now over 2000 Co-partner-employees of the Company and its Associated Companies, holding between them Partnership Certificates of the nominal value of £373,000. These certificates rank for a dividend of 10 per cent. when the dividend payable on the ordinary shares of the Company is 15 per cent., as it has been for the last four years.

The scheme came into operation in 1909; the partner-employees' dividends last year amounted to £38,000. Up to date the total dividend paid on employee-partners' certificates exceeded £122,000.

The Chairman has remarked on the various mechanisms of Profit-Sharing and Co-partnership Schemes, and it seems to me that the encouraging feature of the partnership movement to-day is the spirit behind these mechanisms. The motive underlying the Co-partnership Scheme in existence in Lever Brothers was the desire to get away from the consideration of the employer and the employee as being antagonistic to each other, and to regard both employer and employed as servants of the community. The object of the founder of our Co-partnership Scheme was to promote the personal interest of the whole staff in the whole undertaking. From the beginning of the firm's history there had been a desire that the workers should prosper with the business, but for a long time no scheme of profit sharing commended itself to Sir William Lever. He considered past profit-sharing schemes to be unsound, and they certainly had, on the average, a short duration. An economically sound profit-sharing scheme, he considered, must provide for the sharing of losses when they occurred; and for a long time no scheme which would enable the workers to share losses as well as profits came to his knowledge.

In the absence of a sound profit-sharing scheme a system to which the name "Prosperity Sharing" has been given was adopted. The firm provided for their workpeople those com-



fortable homes, open spaces, and village institutions which have given to Port Sunlight its leadership amongst what are now called "Garden Cities." But when people come to Port Sunlight imagining that the houses there can be taken as a pattern for the building of beautiful workmen's houses which will pay a moderate interest on capital, they are promptly disillusioned. These houses were not let at an economic rent, they are a kind of collective profit sharing; the site value and the construction value have both been met out of the capital and the interest written off yearly in the Company's books, so that the rents asked for barely pay for the maintenance of the village.

The system of Prosperity Sharing also included other welfare arrangements, notably, an Employees' Provident Fund. It was as an addition to these forms of collective Prosperity Sharing that there came at last a promising, and, up till now, eminently successful scheme of genuine profit sharing.

This system under which employees are able to share profits and also to bear losses was found in a scheme for granting Partnership Certificates for a nominal amount of capital generally equal to about 10 per cent. of the workers' earnings. These have been given to all grades of workers of both sexes, but not, as in some of the other schemes just described, to every man, woman, or child. It has been the aim of the founder to bring back into business the kind of partnership arrangements that were possible before the Companies Acts and the days of limited liability—the days when sons were taken into partnership with their fathers after a reasonable service and at a responsible age. The age of admission to Co-partnership in Lever Brothers is 25, provided that at that age five years' faithful service has been given. The motto of the Co-partnership is—"Waste not, want not"—and the workers are asked to aim at a type of intelligent service which will enable them ultimately to produce more goods of a better quality with less labor—fewer hours and higher wages.

The Co-partners received, to begin with, not less than Trade Union rate of wages—rather more when the hours of work and workers' benefits are taken into account; and after the

dividends on capital have been paid they share the surplus dividend, which is paid according to the number and amount of their Partnership Certificates. If there is no surplus dividend—a state of affairs not yet experienced—there will be no dividend on the Partnership Certificates; that is the sense in which the Co-partners share the losses.

An interesting development of the Partnership Scheme has recently been introduced to emphasise the gain made out of the dividend, and to enable the Co-partners to feel that they are gaining or losing with the principal partner. The Co-partners used to have their dividends paid into a Savings Bank from which they could either draw them out in cash or leave them in at interest varying in rate according to the length of time the deposit was allowed to lie. But now the dividends are paid in the Company's Shares. It is still open, however, to the Co-partners to turn their shares immediately into cash. Five shilling shares have been created to facilitate the transactions of the partner-employees. But if the Co-partners do not turn their shares into cash, but keep them continuously, this is what happens.

The shares are 5 per cent. Preference Shares in Lever Brothers, Limited, and they pay their holders 5 per cent. as a matter of course. But when the time comes round for the payment of the co-partners' dividend on the Partnership Certificates, that Co-partners' dividend—10 per cent. so far—will be paid on their shares as well—the shares previously paid as dividend and not parted with. "Now," said the Chairman, "your shares and mine are ranking for the same total dividend—15 per cent."

Sir William Lever has recently been round the world on a business tour, and has made in the intervals of his business a study of the working of the Wages Boards in the Colonies. This study has led him to make some interesting observations recently to the Co-partners' Club at Port Sunlight as to the advantage of Co-partnership. It was, he said, becoming a common complaint in the Colonies that the result of an increase of wages through the Wages Boards was to raise the cost of the articles made by the workers; and so to necessitate in course of time another rise of wages. This brings one



argument for Co-partnership into a strong light; for the Co-partners' dividend does not affect the price of the manufactured product. It does not enter into the cost of the article produced, but is an addition to income received after the profits have been counted up at the end of the year. Co-partnership, therefore, must be looked upon as a means of betterment for the producer without increasing the cost of the product.

Sir William Lever, in the course of his annual address, December, 1915, to the Co-partners in Lever Brothers Ltd., said:—

### **Progress of the Business during Co-partnership.**

What effect has this had on us and on our business? I cannot tell, but I will give you a few facts. Since the adoption of Co-partnership, the volume of the business has more than doubled, the profits have more than doubled, the capital has more than doubled. And the dividends paid to the Co-partners, as their share of the increased profits, have not been obtained by cutting down wages.

### **Co-partnership Dividends without Reduction of Wages.**

I know many people look upon Co-partnership with suspicion, believing that it will reduce wages and be paid for by deductions from wages. Well, I may tell you that since the year 1908 (which was the year preceding the issue of Co-partnership Certificates and the adoption and application of Co-partnership here), the wages for unskilled labor, including War Bonus, have increased by 55 per cent., namely, from 20/- in 1908 to 31/- in 1915. Corresponding increases have occurred in the skilled trades, but they vary in amount in accordance with the rule of the Societies; but unskilled labor, as I have already told you, has advanced 55 per cent. Therefore, the sum of £200,000 has not been taken out of wages. Where has it come from? We shall have paid £200,000 to Co-partners by January 1st, 1916, whilst the dividend last year on the Ordinary Shares was £100,000 less. This year, as far as I know, the Ordinary Shareholders are likely to receive another £100,000 less; so, therefore, the Ordinary Shareholders in this concern have, apparently, in receiving 33 1-3rd per cent. less, provided the dividends for the Co-partners.

**Co-partner Employees and the Losses.**

Now, some people meet with a stumbling block here. They say, "What about losses? Who is going to share the losses? If you are going to give a share of your profits, is nobody going to share your losses when you make any?" No; and I will tell you why. It would not be fair and it would not be logical. Haven't I asked you to agree that management must be left in the same position as at present as regards the management of the business? Well, therefore, if that is the case, it is obvious that management, which in most industries—in almost all industries—is supplied by capital and appointed by capital, must, in order to obtain a right to manage the business, be prepared to take the losses. That is right. That is the only justification that management has got for saying, "Well, we wish the management to be left in our hands." The price that management—capital—has got to pay for that right is that if there are profits they can be divided, but if there are losses those who appoint the management must take them. Now, I say that is quite logical, and that to ask a Co-partner who does not appoint the management to take some of the loss which that management may have created would be illogical. It is quite sufficient that, in the event of losses being incurred instead of profits being made, the Co-partner loses his share of profits. That is his share, and the only share he can bear—that he loses the profits which he might otherwise have made.

There are several firms practising Co-partnership and Profit-Sharing in Australia. The following have been noted, viz., The Colonial Sugar Refining Company, Wunderlich Ltd., Messrs. Saltau and Sons (Warrnambool), Bilson and Co. (Colac), Varley and Co., H. V. McKay, and Moran and Cato (Melbourne), and many other firms in Victoria, who have more or less adopted some form of Profit-Sharing. In November, 1915, the Excelsior Woollen Mills, at Geelong, distributed £2000 amongst its employees. The most up-to-date and extensive Profit-Sharing and Co-partnership scheme in Australia is that of the British-Australasian Tobacco Company.

Through the courtesy of the Directors of the British Tobacco Company (Australia) Ltd. (comprising The British Australasian Tobacco Co. Pty. Ltd., The States Tobacco Co. Pty. Ltd.,



and W. D. and H. O. Wills (Aust.) Ltd.), I am permitted to give the following particulars relative to their various Profit-Sharing and Co-partnership schemes.

### **Profit Sharing and Co-partnership.**

The Directors in March, 1914, allocated the sum of £30,000—for the benefit of eligible employees—to be invested in the company's shares. This represented, roughly, 30,000 ordinary shares.

In March, 1915, a further distribution took place—this time amounting to no less a sum than £38,708.

The following are the conditions under which these shares are issued. :—

These "Ordinary" Shares will be in exactly the same position as all "Ordinary" Shares of the Company, and will secure to the shareholders the same dividends that are payable to ordinary shareholders as well as equal capital rights.

The shares referred to, however, cannot be sold, disposed of, transferred or otherwise dealt with until five years after their issue to the employees; but provision will be made for their realisation in the case of the death of any employee.

The shares will be held in trust by Trustees to be appointed, who will pay to the respective employees the dividends as declared on the shares held in trust for them. After the lapse of five years, an employee may, if he so desire, give instructions to the Trustees to dispose of such shares as have been held for not less than five years on his or her behalf, and the proceeds of the sale would be handed to him or her. There are six Trustees—employers represented by four Trustees and employees represented by two Trustees.

The following will be eligible to participate in the distribution, viz. :—

(a) All male and female employees who on January 31st, 1914, were over 21 years of age, and had completed two years' continuous service in the employ of the above-mentioned companies at Sydney, Melbourne, Brisbane, or Perth.

(b) All female employees who being under 21 years of age on January 31st, 1914, had completed on that date four years' continuous service in the employ of any of the above-mentioned companies at the above centres.

(c) All employees of W. D. and H. O. Wills (Aust.) Ltd., Adelaide, who have fulfilled the conditions as to age and service mentioned in (a) or (b).

(d) All employees of The British-Australasian Tobacco Co. Pty., Ltd., Adelaide, who have been or may be transferred to Melbourne or Sydney, and who remain in their new positions for not less than three months, and who have fulfilled the conditions as to age and service mentioned in (a) or (b).

The shares will be an actual gift to the employees, and will be free of all conditions other than the restriction of the right of sale for five years and the vesting of the shares in the Trustees on their behalf, and in estimating the proportion of shares to be allotted to any individual the salary or wages actually earned will be the basis, but any excess over £250 per annum will be disregarded.

Any employee dismissed at any time prior to the date of the actual distribution of the Participation Certificates, will not be entitled to participate.

The Company does not bind itself in any way to continue these distributions of shares yearly; it is quite optional on their part and depends greatly on the general prosperity of the Company and by the employees recognising and heartily responding to the generous efforts made by the Directors on their behalf.

The value of the shares already distributed is roughly about £140,000, so that although the employee may get only a share which at par is valued at £1, the market value is very close up to £2 per share. In fact, at the present time (January, 1915) the shares are selling at 35s.; in normal times they have sold from 42s. 6d. to 45s. per share. The dividend on these shares is the same as is declared on ordinary shares in the Company, and if the dividend amounts to 10 per cent. or 12 per cent. the employee gets this amount. In fact, his shares are practically the same as the ordinary shares of the Company, with the exception that for five years he is unable to sell same, and he has no voting power. At the end of five years he is in a position to sell, and at the end of eight years he is in a position to go on the register and have the privilege of having a say in the management, the same as any



# HOUSE-BUILDING SCHEME.—REPAYMENT TABLES.

Each Payment includes Interest on Balance owing, computed Quarterly at 3% per annum, the remainder being applied in reduction of Principal.

## Table 1

|         | 50 Weekly Payments per Year of 2/1 for every<br>£100 borrowed for 25 years and 35 weeks. |                                       |                      |                                  |
|---------|--|---------------------------------------|----------------------|----------------------------------|
|         | Repayment<br>for Year  | Payment<br>A/c.<br>Interest at<br>3%. | Account<br>Principal | Balance of<br>Principal<br>Owing |
| 1st     | 5 4 2  | 2 19 5                                | 2 4 9                | 97 15 3                          |
| 2nd     | 5 4 2  | 2 18 1                                | 2 6 1                | 95 9 2                           |
| 3rd     | 5 4 2  | 2 16 8                                | 2 7 6                | 93 1 8                           |
| 4th     | 5 4 2  | 2 15 3                                | 2 8 11               | 90 12 9                          |
| 5th     | 5 4 2  | 2 13 10                               | 2 10 4               | 88 2 5                           |
| 6th     | 5 4 2  | 2 12 4                                | 2 11 10              | 85 10 7                          |
| 7th     | 5 4 2  | 2 10 9                                | 2 13 5               | 82 17 2                          |
| 8th     | 5 4 2  | 2 9 1                                 | 2 15 1               | 80 2 1                           |
| 9th     | 5 4 2  | 2 7 5                                 | 2 16 9               | 77 5 4                           |
| 10th    | 5 4 2  | 2 5 9                                 | 2 18 5               | 74 6 11                          |
| 11th    | 5 4 2  | 2 4 2                                 | 3 0 2                | 71 6 9                           |
| 12th    | 5 4 2  | 2 2 2                                 | 3 2 11               | 68 4 9                           |
| 13th    | 5 4 2  | 2 0 3                                 | 3 5 10               | 65 0 10.                         |
| 14th    | 5 4 2  | 1 18 4                                | 3 7 9                | 61 15 0                          |
| 15th    | 5 4 2  | 1 16 5                                | 3 9 11               | 58 7 3                           |
| 16th    | 5 4 2  | 1 14 3                                | 3 12 1               | 54 17 4                          |
| 17th    | 5 4 2  | 1 12 1                                | 3 14 3               | 51 5 3                           |
| 18th    | 5 4 2  | 1 9 11                                | 3 16 10              | 47 11 0                          |
| 19th    | 5 4 2  | 1 7 8                                 | 3 18 13              | 43 14 6                          |
| 20th    | 5 4 2  | 1 5 4                                 | 4 1 3                | 39 15 8                          |
| 21st    | 5 4 2  | 1 2 11                                | 4 3 8                | 35 14 5                          |
| 22nd    | 5 4 2  | 1 0 6                                 | 4 6 3                | 31 10 9                          |
| 23rd    | 5 4 2  | 0 17 11                               | 4 8 11               | 27 4 6                           |
| 24th    | 5 4 2  | 0 15 8                                | 4 11 7               | 22 15 7                          |
| 25th    | 5 4 2  | 0 12 7                                | 4 14 5               | 18 4 0                           |
| 26th    | 5 4 2  | 0 9 9                                 | 4 17 3               | 13 9 7                           |
| 27th    | 5 4 2  | 0 6 11                                | 5 0 2                | 8 12 4                           |
| 28th    | 5 4 2  | 0 4 0                                 | 5 2 2                | 3 12 2                           |
| 29th    | 3 12 11  | 0 0 9                                 | 3 12 2               |                                  |
| 149 9 7 | 49 9 7   |                                       | 100 0 0              |                                  |

## Table 2

|          | 50 Weekly Payments per Year of 2/4 for every<br>£100 borrowed for 24 years and 7 weeks. |                                       |                      |                                  |
|----------|---|---------------------------------------|----------------------|----------------------------------|
|          | Repayment<br>for Year   | Payment<br>A/c.<br>Interest at<br>3%. | Account<br>Principal | Balance of<br>Principal<br>Owing |
| 1st      | 5 16 8  | 2 19 4                                | 2 17 4               | 97 2 8                           |
| 2nd      | 5 16 8  | 2 17 7                                | 2 19 1               | 94 3 7                           |
| 3rd      | 5 16 8  | 2 15 9                                | 3 0 11               | 91 2 8                           |
| 4th      | 5 16 8  | 2 13 11                               | 3 2 9                | 87 19 11                         |
| 5th      | 5 16 8  | 2 12 0                                | 3 4 8                | 84 15 3                          |
| 6th      | 5 16 8  | 2 10 0                                | 3 6 8                | 81 8 7                           |
| 7th      | 5 16 8  | 2 8 0                                 | 3 8 8                | 77 19 11                         |
| 8th      | 5 16 8  | 2 5 11                                | 3 10 9               | 74 9 2                           |
| 9th      | 5 16 8  | 2 3 10                                | 3 12 10              | 70 16 4                          |
| 10th     | 5 16 8  | 2 1 7                                 | 3 15 1               | 67 1 3                           |
| 11th     | 5 16 8  | 1 19 4                                | 3 17 4               | 63 3 11                          |
| 12th     | 5 16 8  | 1 17 0                                | 3 19 8               | 59 4 3                           |
| 13th     | 5 16 8  | 1 14 6                                | 4 2 2                | 55 2 1                           |
| 14th     | 5 16 8  | 1 12 0                                | 4 4 8                | 50 17 5                          |
| 15th     | 5 16 8  | 1 9 9                                 | 4 7 3                | 46 10 2                          |
| 16th     | 5 16 8  | 1 6 9                                 | 4 9 11               | 42 0 3                           |
| 17th     | 5 16 8  | 1 4 1                                 | 4 12 7               | 37 7 8                           |
| 18th     | 5 16 8  | 1 1 3                                 | 4 15 5               | 32 12 3                          |
| 19th     | 5 16 8  | 0 18 4                                | 4 18 4               | 27 13 11                         |
| 20th     | 5 16 8  | 0 15 4                                | 5 1 4                | 22 12 7                          |
| 21st     | 5 16 8  | 0 12 4                                | 5 4 4                | 17 8 3                           |
| 22nd     | 5 16 8  | 0 9 3                                 | 5 7 5                | 12 0 10                          |
| 23rd     | 5 16 8  | 0 6 1                                 | 5 10 7               | 6 10 3                           |
| 24th     | 5 16 8  | 0 2 8                                 | 5 14 0               | 0 16 3                           |
| 25th     | 5 16 8  | 0 0 1                                 | 5 16 3               |                                  |
| 26th     | 5 16 8  | 0 0 0                                 | 5 18 6               |                                  |
| 27th     | 5 16 8  | 0 0 0                                 | 5 20 9               |                                  |
| 28th     | 5 16 8  | 0 0 0                                 | 5 23 12              |                                  |
| 29th     | 0 16 4  | 40 16 4                               | 100 0 0              |                                  |
| 140 16 4 | 40 16 4   |                                       | 100 0 0              |                                  |

## Table 3

|          | 50 Weekly Payments per Year of 2/7 for every<br>£100 borrowed for 20 years and 45 weeks |                                       |                      |                                  |
|----------|---|---------------------------------------|----------------------|----------------------------------|
|          | Repayment<br>for Year   | Payment<br>A/c.<br>Interest at<br>3%. | Account<br>Principal | Balance of<br>Principal<br>Owing |
| 1st      | 6 9 2   | 2 19 3                                | 3 9 11               | 96 10 1                          |
| 2nd      | 6 9 2   | 2 17 1                                | 3 12 1               | 92 18 0                          |
| 3rd      | 6 9 2   | 2 14 11                               | 3 14 3               | 89 3 9                           |
| 4th      | 6 9 2   | 2 12 8                                | 3 16 6               | 85 7 3                           |
| 5th      | 6 9 2   | 2 10 4                                | 3 18 10              | 81 8 5                           |
| 6th      | 6 9 2   | 2 8 0                                 | 4 1 2                | 77 7 3                           |
| 7th      | 6 9 2   | 2 5 6                                 | 4 3 8                | 73 3 7                           |
| 8th      | 6 9 2   | 2 3 0                                 | 4 6 2                | 68 17 5                          |
| 9th      | 6 9 2   | 2 0 4                                 | 4 8 10               | 64 8 7                           |
| 10th     | 6 9 2   | 1 17 8                                | 4 11 6               | 59 17 1                          |
| 11th     | 6 9 2   | 1 14 11                               | 4 14 3               | 55 2 10                          |
| 12th     | 6 9 2   | 1 12 0                                | 4 17 2               | 50 5 8                           |
| 13th     | 6 9 2   | 1 9 1                                 | 5 0 1                | 45 5 7                           |
| 14th     | 6 9 2   | 1 6 0                                 | 5 3 2                | 40 2 5                           |
| 15th     | 6 9 2   | 1 2 11                                | 5 6 3                | 34 16 2                          |
| 16th     | 6 9 2   | 0 19 8                                | 5 9 6                | 29 6 8                           |
| 17th     | 6 9 2   | 0 16 4                                | 5 12 10              | 23 13 10                         |
| 18th     | 6 9 2   | 0 12 11                               | 5 16 3               | 17 17 7                          |
| 19th     | 6 9 2   | 0 9 5                                 | 5 19 9               | 11 17 10                         |
| 20th     | 6 9 2   | 0 5 9                                 | 6 3 5                | 5 14 5                           |
| 21st     | 5 16 3  | 0 1 10                                | 5 14 5               |                                  |
| 22nd     |   |                                       |                      |                                  |
| 23rd     |   |                                       |                      |                                  |
| 24th     |   |                                       |                      |                                  |
| 25th     |   |                                       |                      |                                  |
| 26th     |   |                                       |                      |                                  |
| 27th     |   |                                       |                      |                                  |
| 28th     |   |                                       |                      |                                  |
| 29th     |   |                                       |                      |                                  |
| 134 19 7 | 34 19 7   |                                       | 100 0 0              |                                  |

I hereby Certify that the above Tables are correct.

H. S. CORBERT, Associate of the Institute of Actuaries.

other shareholders who have purchased shares on the Stock Exchange.

### **House Building Scheme.**

This scheme has been framed on the lines of what is popularly known as the Credit Foncier System. A small deposit, on a 5 per cent. basis, is required from each participant in the scheme, the balance being advanced by the Company at the exceptionally low rate of interest of 3 per cent. per annum. Repayments as shown by the accompanying tables will be made weekly, and may be extended over optional periods ranging from 21 to 29 years. The low rate of interest and the spreading of the repayments over such lengthy periods will place well within the means of all the erection on a nice block of land of a comfortable and roomy brick house of good appearance.

### **Life Assurance Scheme.**

The Directors announce that to encourage the male employees of the Company to make provision for their old age, they have decided to introduce a Life Assurance Scheme. Every man 21 years of age and over who has been in the service of the Company for a period of two years, and whose salary does not exceed £300 per annum is eligible to enter into this scheme.

Each employee desiring to participate will take out a policy with the Australian Mutual Provident Society, for such an amount according to his age as is shown in the accompanying schedule, and the Company will pay one-half of the annual premiums on such policy.

The "Endowment Assurance" principle has been adopted as the basis of the scheme, because of the great advantages it offers. Under this form of Life Assurance, the amount of the policy, together with bonuses, is payable to the assured himself at the age for which the policy is taken out, or to his executors or administrators at his death should that event occur previously. By this means not only will provision be made for the assured's old age, but also for those dependent upon him should he die before the policy matures.



# SCHEDULE

SHOWING PARTICULARS OF POLICIES to be effected on the lives of Employees  
[Compiled by The AUSTRALIAN MUTUAL PROVIDENT SOCIETY]

| Age next Birthday. | PREMIUM.<br>Employee's Contribution<br>(One half). |         | Total Annual Premium as per Tables. | Policy to mature at age. | "A."<br>Endowment Assurance<br>(Table J) See Note (1). For lives who pass the Society's Medical Examination as first class. |  |   | "B."<br>Endowment or Alternative Annuity<br>(Special Table) See Note 2 For lives who fail to pass the Society's Medical Examination. Guaranteed Value at Maturity. |                                 | Age next Birthday. |
|--------------------|--|---------|-------------------------------------|--------------------------|---|--|---|--|---------------------------------|--------------------|
|                    |  |         |                                     |                          | Amount of Original Policy.  | Results at Maturity based on payments actually made in respect of Policies recently matured. See Note 3. |   | Cash Value   | Equivalent Annuity. See Note 4. |                    |
|                    | Weekly.  | Yearly. |                                     |                          |   | Cash Value.  | Alternative Equivalent Annuity. See Note 4. |  |                                 |                    |
| 21                 | 1/5  | £3 13 8 | £7 7 4                              | 60                       | £299  | £595   | £52 17 7                                    | £591   | £52 10 6                        | 21                 |
| 22                 | 1/5  | 3 13 8  | 7 7 4                               | 60                       | 290   | 577  | 51 5 7                                      | 563  | 50 0 9                          | 22                 |
| 23                 | 1/6  | 3 18 0  | 7 16 0                              | 60                       | 298   | 593  | 52 14 0                                     | 567  | 50 7 10                         | 23                 |
| 24                 | 1/7  | 4 2 4   | 8 4 8                               | 60                       | 304   | 589  | 52 6 8                                      | 568  | 50 9 4                          | 24                 |
| 25                 | 1/7  | 4 2 4   | 8 4 8                               | 60                       | 295   | 569  | 50 11 5                                     | 540  | 47 19 10                        | 25                 |
| 26                 | 1/8  | 4 6 8   | 8 13 4                              | 60                       | 300   | 576  | 51 3 10                                     | 539  | 47 18 1                         | 26                 |
| 27                 | 1/9  | 4 11 0  | 9 2 0                               | 60                       | 305   | 564  | 50 2 4                                      | 538  | 47 16 0                         | 27                 |
| 28                 | 1/11   | 4 19 8  | 9 19 4                              | 60                       | 322   | 573  | 50 18 4                                     | 558  | 49 11 8                         | 28                 |
| 29                 | 2/-  | 5 4 0   | 10 8 0                              | 60                       | 325   | 572  | 50 16 8                                     | 551  | 48 19 4                         | 29                 |
| 30                 | 2/1  | 5 8 4   | 10 16 8                             | 60                       | 327   | 565  | 50 4 0                                      | 544  | 48 7 0                          | 30                 |
| 31                 | 2/3  | 5 17 0  | 11 14 0                             | 60                       | 340   | 571  | 50 14 8                                     | 555  | 49 6 4                          | 31                 |
| 32                 | 2/5  | 6 5 8   | 12 11 4                             | 60                       | 351   | 579  | 51 9 0                                      | 564  | 50 2 4                          | 32                 |
| 33                 | 2/7  | 6 14 4  | 13 8 8                              | 60                       | 361   | 581  | 51 12 8                                     | 569  | 50 11 4                         | 33                 |
| 34                 | 2/8  | 6 18 8  | 13 17 4                             | 60                       | 357   | 564  | 50 2 6                                      | 553  | 49 2 11                         | 34                 |
| 35                 | 2/11   | 7 11 8  | 15 3 4                              | 60                       | 374   | 575  | 51 2 1                                      | 570  | 50 13 2                         | 35                 |
| 36                 | 3/2  | 8 4 8   | 16 9 4                              | 60                       | 388   | 582  | 51 14 6                                     | 581  | 51 12 9                         | 36                 |
| 37                 | 3/4  | 8 13 4  | 17 6 8                              | 60                       | 390   | 573  | 50 18 6                                     | 574  | 51 0 3                          | 37                 |
| 38                 | 3/6  | 9 2 0   | 18 4 0                              | 60                       | 390   | 557  | 49 10 1                                     | 565  | 50 4 3                          | 38                 |
| 39                 | 3/6  | 9 2 0   | 18 4 0                              | 60                       | 372   | 528  | 46 18 6                                     | 529  | 47 0 3                          | 39                 |
| 40                 | 2/5  | 6 5 8   | 12 11 4                             | 65                       | 293   | 454  | 47 14 1                                     | 477  | 50 2 8                          | 40                 |
| 41                 | 2/7  | 6 14 4  | 13 8 8                              | 65                       | 299   | 457  | 48 0 8                                      | 479  | 50 7 0                          | 41                 |
| 42                 | 2/9  | 7 3 0   | 14 6 0                              | 65                       | 305   | 454  | 47 14 4                                     | 479  | 50 7 0                          | 42                 |
| 43                 | 2/11   | 7 11 8  | 15 8 4                              | 65                       | 308   | 449  | 47 4 0                                      | 476  | 50 0 8                          | 43                 |
| 44                 | 3/1  | 8 0 4   | 16 0 8                              | 65                       | 311   | 441  | 46 7 0                                      | 470  | 49 8 0                          | 44                 |
| 45                 | 3/4  | 8 13 4  | 17 6 8                              | 65                       | 319   | 440  | 46 5 0                                      | 474  | 49 16 4                         | 45                 |
| 46                 | 3/6  | 9 2 0   | 18 4 0                              | 65                       | 318   | 432  | 45 8 3                                      | 464  | 48 15 7                         | 46                 |
| 47                 | 3/6  | 9 2 0   | 18 4 0                              | 65                       | 301   | 397  | 41 14 8                                     | 431  | 45 6 2                          | 47                 |
| 48                 | 3/6  | 9 2 0   | 18 4 0                              | 65                       | 284   | 369  | 38 15 10                                    | 399  | 41 18 11                        | 48                 |
| 49                 | 3/6  | 9 2 0   | 18 4 0                              | 65                       | 268   | 343  | 36 1 2                                      | 368  | 38 13 9                         | 49                 |
| 50                 | 3/6  | 9 2 0   | 18 4 0                              | 65                       | 251   | 316  | 33 4 5                                      | 339  | 35 12 9                         | 50                 |
| 51                 | 3/6  | 9 2 0   | 18 4 0                              | 65                       | 234   | 290  | 30 9 9                                      | 310  | 32 11 9                         | 51                 |
| 52                 | 3/6  | 9 2 0   | 18 4 0                              | 65                       | 218   | 265  | 27 17 2                                     | 283  | 29 15 0                         | 52                 |
| 53                 | 3/6  | 9 2 0   | 18 4 0                              | 65                       | 201   | 243  | 25 10 11                                    | 257  | 27 0 4                          | 53                 |
| 54                 | 3/6  | 9 2 0   | 18 4 0                              | 65                       | 184   | 222  | 23 6 9                                      | 231  | 24 5 8                          | 54                 |
| 55                 | 3/6  | 9 2 0   | 18 4 0                              | 65                       | 167   | 202  | 21 4 8                                      | 206  | 21 13 1                         | 55                 |

NOTE 1.—The Society's Endowment Assurance Policies (Table J) mature at the end of a term of years represented by the difference between the maturity age and the age next birthday at entry. In the event of death before maturity the full amount of the original policy with accrued Bonuses to date of death is payable. Bonuses do not vest until the policy has been in force for two years.

NOTE 2.—Policies under this special Table would mature at the end of a term of years represented by the difference between the maturity age and the age next birthday at entry. In the event of death before maturity, all premiums paid, other than the first, together with Simple Interest thereon at 3% per annum would be payable.

NOTE 3.—The Bonuses included in the results quoted above represent the actual payments under policies of similar age and duration, recently matured. It is neither promised nor guaranteed that similar results will be realised in the future. Future Bonuses will depend on the profits made by the Society in the future, which in their turn will depend on the conditions ruling from time to time in regard to the main sources from which such profits are derived, viz.: (a) The rate of Interest realised on the Society's funds, (b) the rate of mortality experienced amongst policy-holders, and (c) the rate of expense at which the business of the Society is conducted.

NOTE 4.—The Annuity is computed as commencing immediately after the birthday following the maturity of the policy. The first instalment for a fractional period would be payable on the first of the following month and thenceforth by quarterly instalments, ceasing on the Quarter-day preceding death.

(Sgd.) F. T. BRIDGES.

Resident Secretary A.M.P. Society.

MELBOURNE. 5th December, 1911.

Under "Endowment Assurance," however, it is necessary that a medical examination should be passed, and it cannot be expected that in such a large body of men all will pass the test. Accordingly, in those cases where the Assurance Society declines the risk, weekly payments equal to the rates fixed for the "Endowment Assurance" are made by the Company and the employee to Individual Trust Account opened at the Government Savings Bank.

The figures shown in the schedule have been arranged on the most equitable basis possible, and will, it is hoped, give satisfaction to all. The rates have all been supplied by the A.M.P. Society, and while the annuity tables have been specially compiled for the employees of the Company, the premiums shown for the endowment assurance may be found in the prospectus issued to the public by the Society. It must be distinctly understood that the estimated values of the policies at maturity are based entirely on past results of the A.M.P. Society, and while there is no reason to believe that these results will not be maintained, the Company accepts no responsibility regarding them.

On account of the very heavy premiums, it has been found impracticable to bring the men over 55 years of age under the insurance tables. It is desired, however, that they should receive from the Company as much consideration as the other employees, and accordingly a special arrangement has been made for them. Individual trust accounts will be opened at the Government Savings Bank for their benefit, the Company and the employee each paying 3s. 6d. per week into the account, which will earn interest at the Savings Bank current rate.

The Directors confidently anticipate that every man in the service of the Company will take advantage of this opportunity to make a wise provision for his declining years and for those depending upon him by ensuring them a competency in the event of his death.

In addition to the foregoing, the Company pays half of the Lodge Subsidy for the different employees, who get medical attention and medicine, also varying amounts ranging to about £1 per week. In addition to this they allow employees



who are ill:—Males £1 1s. per week, and females 10s. 6d. per week, for a period of 30 days during the 12 months; and in cases where it is proved that they are still unable to come to work, it is left to the management's discretion to continue.

The employees have an excellent lunch at a cost of about 6d. per meal. The Company contributes a proportionate amount, which runs into roughly £1,200 per annum for the Melbourne factory. Plant necessary for preparing the lunch is supplied free of charge.

Comment on the above seems superfluous, except to remark that if only other Companies and employers in Australia generally adopted one-half of what the British Tobacco Co. have done, and are doing on behalf of their employees, fewer strikes would be taking place to-day.

In describing all these schemes it has been easiest to quote financial results, but these are by no means the most important. It is the effect of such schemes on the character of the individual worker which must be considered chiefly. There seems to be no doubt but that the entire lack of interest in their daily work from which so many workers suffer, causes a gradual lowering of mental and moral standards, and therefore some method must be introduced so that each day's work shall leave the worker a better and more capable citizen, instead of the reverse, as is too often the case. Work in a modern machinery-filled factory is often very monotonous, and the only practical way of encouraging mental activity in the worker, is by securing his interest in the progress of the whole business or of the department in which he is working, which is frequently done by means of committees and councils.

If industries so diverse as Gas production, Woollen and Soap Manufacturers, Printing, Newspapers, and Agriculture—whether in large or small Companies—or in private firms or individual ownership, find it practicable, surely other industries can equally apply the principle. Profit Sharing can be applied to any business, no matter however small.

The evidence contained in the foregoing, together with the following chronology, should surely convince the greatest of sceptics as to the practicability and wisdom of Profit Sharing.

## Chronological Notes on British Profit-Sharing and Co-Partnership.

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These Chronological Notes from a short summary of the successful Profit Sharing movement in Great Britain from the year 1895 to 1914.

- 1895. R. Binns & Sons, Nurserymen, Cross. Bonus, partly in cash.
- 1895. T. Chalmers & Son Ltd., Paper Makers. Bonus paid in cash.
- 1895. G. W. Chitty & Co. Ltd., Flour Mills, Dover. Bonus, partly in cash and partly to provident fund.
- 1895. R. B. Carr, Lomas & Co. Ltd., Mantle Manufacturers, Manchester. Cash bonus.
- 1896. Pearson & Rutter, Provision Merchants, Liverpool, &c. Cash bonus.
- 1896. T. J. and J. Taylor, Woollen Manufacturers, Batley. Bonus invested in shares.
- 1897. H. Hutchinson, Builder, Haslemere. Bonus, partly cash and partly provident fund.
- 1897. W. Latimer, Builder, Carlisle. Cash bonus.
- 1898. S. Mordan & Co., Silversmiths, &c., London. Bonus credited to provident fund.
- 1898. T. Morley, Printer, Reading. Cash bonus.
- 1899. Humphries & Bobbett, Corn Millers, Bristol. Cash bonus.
- 1899. Rollason & Jones, Web, &c., Manufacturers, Nuneaton. Cash bonus.
- 1899. Wyles Bros. Ltd., Boot Merchants, Derby. Cash bonus.
- 1900. Stafford Corporation, Gas & Electricity Dept. Cash bonus.
- 1900. W. Foster & Sons, Slaters, &c., Padiham. Cash bonus.
- 1900. Spillers & Bakers, Millers, &c., Cardiff, &c. Cash bonus.
- 1900. D. Cameron & Son, Builders, Edinburgh. Cash bonus.
- 1900. John Stow Ltd., Cabinet Makers, Bradford. Cash bonus.
- 1901. Sir Hereward Wake, Bart. Profit-sharing bonus, in cash, to farm employees.
- 1901. Commercial Gas Co. Profit-sharing on basis of sliding scale. Half withdrawable, and half invested in stock.
- 1901. Chester United Gas Co. Part cash and part invested.
- 1901. Newport (Mon) Gas Co. Provident fund.
- 1902. Lord Rayleigh introduced profit-sharing in connection with his farms at Tarling, Essex.
- 1902. British Columbia Electric Railway Co., Canada. Cash bonus.
- 1902. Morris & Bolton Ltd., Printing-ink Manufacturers, Furnival Street, E.C. Cash bonus.
- 1902. H. Backhouse & Co. Ltd., Grocers, Druggists, &c., Dundalk, Ireland. Cash bonus.
- 1902. J. Cropper & Co. Ltd., Paper Makers, Kendal. Cash bonus.
- 1903. P. C. Garnett, Ironfounder, Cleckheaton. Cash bonus.
- 1903. Saville's (1902) Ltd., Brewer's Sundrymen, Hulme, Manchester. Cash bonus.
- 1904. John Knight & Sons Ltd., Soap Manufacturers. Cash bonus.
- 1904. Butt, Vosper & Knight, Woollen Merchants, Plymouth. Cash bonus.



1904. J. Adams & Son, Brewers, Newbury. Cash bonus.
1905. Hay & Son Ltd., Wine Merchants, Sheffield. Cash bonus.
1905. Mackenzie & Storrie Ltd., Printers, Leith. Cash bonus.
1906. Henry Sagar Ltd., Dyers, Halifax. Cash bonus.
1906. "Mail & Leader" Ltd., Publishers, Newcastle-on-Tyne. Cash bonus.
1907. Prudential Assurance Co. (Annuities Branch). Cash bonus.
1907. W. J. Parry Ltd., General Merchants, Bethesda. Bonus invested.
1907. Douglas & Son Ltd., Musical Instrument Manufacturers, Glasgow. Cash bonus.
1907. A. C. Penman, Queensbury Motor Works, Dumfries. Cash bonus.
1907. D. Redhead & Co. Ltd., Confectioners, Kettering. Cash bonus.
1908. Leamington Priors Gas Co. Cash and investment.
1908. "The Reporter" Ltd., Publishers, Dewsbury. Cash bonus.
1908. Bournemouth Gas & Water Co. Retained until £10 stock is purchased; afterwards half is withdrawable.
1908. Cardiff Gas Light & Coke Co. Entire bonus to be invested in stock.
1908. Castner-Kellner Alkali Co. Ltd. Cash bonus.
1908. Croydon Gas Co. Bonus retained until £5 stock is allotted; half withdrawable afterwards.
1908. Epsom & Ewell Gas Co. Bonus invested in stock.
1908. Gloucester Gas Light Co. Half invested and half withdrawable.
1908. Rugby Gas Co. Accumulates until sufficient to buy £10 stock. Partly withdrawable after.
1908. Tottenham & Edmonton Gas Light & Coke Co. Half invested and half withdrawable.
1908. Tunbridge Wells Gas Co. Accumulates for 5 years. Afterwards part is withdrawable and part invested.
1908. Walker & Wallsend Union Gas Co. Accumulates for investment.
1908. Wrexham Gas Co. Accumulates for 5 years. Half withdrawable afterwards.
1908. Tamworth Herald Co. Ltd. Cash bonus.
1908. Strutt & Parker, Farmers, Dengie, Essex. Cash bonus.
1908. Wellingborough Gas Light Co. Ltd. Bonus invested in ordinary stock.
1909. Gas Light & Coke Co. After £5 of stock has been purchased, half is retained for investment and half withdrawable in cash.
1909. Lever Bros. Ltd., Soap Manufacturers. "Annual distribution of partnership (share) certificates, benefiting as ordinary shares after fixed percentage has been paid on these." (Partnership shares cannot be transferred, and are cancelled if holder leaves the firm's service.)
1909. Barratt & Co. Ltd., Manufacturing Confectioners. Profit-sharing bonus in cash.
1909. Cotton Powder Co. Ltd. Bonus invested in ordinary stock.
1909. Cambridge University & Town Gas Light Co. Bonus, partly withdrawable and partly retained.
1909. Dartford Gas Co. Bonus retained for investment in stock.
1909. Grantham Gas Co. Bonus, partly withdrawable and part invested.
1909. Watford Gas Light & Coke Co. Bonus invested in stock.

- 1909. Ilford Gas Co. Bonus retained. Half invested, and remainder withdrawable in case of urgent necessity.
- 1909. Norman Sawyer & Co. Ltd. Printers & Stationers. Cash bonus.
- 1909. Weston-Super-Mare Gas Co. Bonus, half invested and half withdrawable.
- 1909. Westminster Electric Supply Corporation Ltd. Cash bonus.
- 1910. Inglis & Co. Ltd. Bread & Cake Manufacturers. Bonus retained until £5 is accumulated; further sums withdrawable or may be left on deposit.
- 1910. Hasler & Clapham, Corn Merchants, Walford. Cash bonus.
- 1910. Longwood Gas Co. Half bonus invested, remainder withdrawable.
- 1910. Wandsworth & Putney Gas Co. Bonus wholly invested in stock.
- 1910. J. T. Cooper & Son, Upholsters, Gravesend. Cash bonus.
- 1910. Wilkin & Sons Ltd., Jam Manufacturers, Tiptree, Essex. Cash bonus.
- 1910. The "Sanitas" Co. Ltd., Limehouse, E. Cash bonus.
- 1910. Walford, Hasler & Co. Ltd., Coal Merchants, Dunmow. Cash bonus.
- 1910. Gregory, Love & Co. Ltd., Grocers, Reading. Cash bonus.
- 1911. Plymouth & Stonehouse Gas, Coal, & Lighting Co. Part of bonus withdrawable; remainder, invested.
- 1911. Plaistowe Ltd., Fruit Preserves. Modified form of Lever Brothers' scheme.
- 1911. Harrow & Stanmore Gas Co. Bonus wholly invested in stock.
- 1911. Russells & Wrangham Ltd., Brewers, &c, Malton. Bonus invested.
- 1911. Johnson Bros. (Dyers) Ltd., Bootle, Liverpool. Cash bonus.
- 1911. Loders & Nucleine Ltd., Oilseed Mills, Silvertown. Bonus part in cash and part invested.
- 1911. C. H. Osborne, Hat Manufacturer, Luton. Cash bonus.
- 1912. Wilkinson & Riddell Ltd., Wholesale Drapers, Birmingham. Surplus profits divided between shareholders and employees.
- 1912. Liverpool United Gas Light Co. Bonus on wages, based on sliding scale; half invested in stock, and half withdrawable under special circumstances.
- 1912. Notting Hill Electric Lighting Co. Ltd. Cash bonus.
- 1912. Solicitors Law Stationery Society Ltd. Cash bonus.
- 1912. Samuel Jones & Co., Paper Merchants. Cash bonus.
- 1912. R. S. Murray & Co. Ltd., Manufacturing Confectioners. Cash bonus.
- 1912. E. S. & A. Robinson Ltd., Printers, etc. Cash bonus.
- 1912. Robert Martin Ltd., Printers. Bonus applied to purchase shares until £50 has been allotted; afterwards in cash if so desired.
- 1913. John S. Booth & Sons Ltd., Cloth Manufacturers. Cash bonus.
- 1913. Canterbury Gas & Water Co. Bonus invested in stock.
- 1913. Walter Somer & Co. Ltd., Forgemasters. Cash bonus.
- 1913. Swansea Gas Light Co., half bonus invested in stock, and remainder credited to deposit account.
- 1914. Redhill Gas Co. Bonus to be all invested for first five years; afterwards half may be withdrawn for approved purposes.
- 1914. Grainger & Smith, Cloth Makers & Manufacturing Clothiers, Dudley.



## CHAPTER VI.

### Co-partnership and Industrial Efficiency.

No one can look back upon the events which have taken place, and are taking place, in the Labor world during the past few years, without arriving at the conclusion that grave defects exist in our industrial system.

Throughout the length and breadth of the land there has been an upheaval of turbulence and discontent unprecedented in its character, and which certainly shook at its foundations the complex structure of our modern civilization. To what must this outburst be attributable? There can be no doubt that, whatever may have been its origin, the rapid extension of disaffection must be ascribed to the existence of a widespread belief among the working classes that they have not had their fair share of the increased wealth and prosperity the country as a whole has enjoyed. On every side are evident signs of the greater luxury existing to-day compared with, say, a quarter of a century ago; and, in considering them, the average workman if asked whether his position and prospects in life have improved in the same degree, almost invariably answers in the negative. On the other hand, most employers, if questioned upon the subject, would just as unhesitatingly affirm that their men did not work so well as formerly, that they took less interest in their employment, and could be less depended upon than in the past to perform satisfactorily the duties they engaged themselves to fulfil.

In these two statements may be shortly summed up the men's and the masters' cases. There is a large proportion of truth in both, and that they may fairly be considered to describe the state of affairs existing to-day by reason of which our industries are divided into two opposing camps—the employers and the employees.

Now, it is this state of affairs which is at the bottom of much of the industrial unrest, and it is this evil which by the adoption of Co-partnership can be removed. The principle upon which it is based is that after Capital has been fairly

remunerated for the risks it takes by its investment in an undertaking, it should give to the employees a fair share of the further profits. How will this work out in practice? Here is a concrete case, that of the South Metropolitan Gas (London) Company's Co-partnership. The share capital of this undertaking on the 31st December, 1914, was £8,325,340. As an inducement to economical working, the Company are allowed by Parliament to pay two shillings and eightpence per cent. for each penny in reduction of the price of gas; and by the Co-partnership scheme every employee gets three-quarters per cent. extra on his wages for every such penny reduction.

This scheme has been in existence since 1889, and up to the 31st December, 1914, £691,596 had been distributed among employees, as a bonus to their wages. The employees, numbering 6,303, actually held on 31st December, 1914, shares which had a market value of no less than £450,683, in addition to which some have used the bonus for the purchase of houses, or to set themselves up beyond the seas, where many are doing well. So far from a Co-partner being less mobile by reason of his partnership, he is potentially more so. He can move about the world with greater freedom through having ready cash.

What has been the result to the Company of this Co-partnership? For twenty-five years, unruffled industrial peace. The men do their work with goodwill, and intelligently enter into the requirements of their duties, whether fixed or changing by circumstances. Think of the difference between a willing and an unwilling worker! What percentage in value might it not reach? The men carry the flag of the business all over the area supplied with gas. What must it not be worth to the Company to have the thousands of jobs necessary in the houses of consumers of gas performed by men who have an interest in the business and are attached to it, rather than by (as is too often the case) covert enemies? The Company constantly receive evidence that this is actually so. They get the use of their men's brains as well as their muscles; and whenever difficulties arise connected with the supply or use of gas, they are always ready to give the undertaking



the benefit of the experience which so often, in technical matters, can only be obtained by intimate day-by-day association with the many operations involved in them.

Let us, by way of illustration, assume a case. Suppose an undertaking with a capital of £100,000 earns, say, £11,000 profit per annum. £5000 of this profit is allocated in payment of interest charges at five per cent. on the capital, and the remainder divided in equal percentages to capital and labor. If the cost of wages per annum were £100,000 then the share of both labor and capital would be equal in amount; that is to say, £3000 to each, or at the rate of three per cent. But suppose the wages only equalled £50,000, the profit remaining the same, labor would get £2000, its four per cent., and capital would get £4000, its four per cent. Again, if the labor costs were £200,000 the surplus could only be appropriated on a two per cent. basis, £4000 going to labor and £2000 to capital.

The employers' indifference is bound to diminish as they realise more and more clearly that the present condition of things cannot continue. The employer, who is frequently conservative in his ideas, says, "You are asking me to adopt a scheme whereby I may have to pay an increase of five or ten per cent., perhaps, on my wages. Why, I can only just manage to make ends meet now!" Precisely! Because by his wages system of payment he has done nothing to attach his employees to the business in which they are engaged, and thus given them an inducement to look at matters from the employer's standpoint as well as their own. Some people run away with the idea that the percentage share paid under Co-partnership is a medium for grinding more work out of the worker. Nothing of the kind. He is asked not to work otherwise than fairly, but to give up wasting his time and materials, to take an intelligent interest in his work, and therefore to give his employer the advantage not only of willing hands instead of unwilling ones, but a sympathetic spirit in substitution for an obstructive one. Neither a house nor a State can stand divided against itself. Yet does not this describe our Industrial State as it very largely exists to-day?

Robert Owen was shown over a large mill at Leeds, the owner of which remarked, "This army of working people, if

they chose to be careful in the use of the material entrusted to them, might save me £4000 a year." "Then," replied Owen, "why not give them £2000 to do it, and you will gain the other £2000."

The employee is at present placed in a position of personal indifference, so far as his own financial responsibility is concerned, in the success or failure of the business. The employee sharing in the profits of the business, in addition to receiving salary or wages, would ever have in his mind that the failure of the business would sweep away his annually increasing share in the profits of the undertaking, which share, equally as is the case with the Capitalist, has taken him a lifetime of unremitting application and patient effort to acquire. Therefore, Co-partnership, rightly constituted, must of necessity bring the employee into close contact with Capital in loss sharing as well as in profit sharing, which would lift both Management and Labor into the stimulating, developing, and elevating heights of profit earner and profit sharer, in addition to that of the salary or wage drawer.

Co-partnership is an extension of profit sharing, enabling the worker to accumulate a portion, or all, of his share of profits in the capital of the business employing him, thus gaining the rights and responsibilities of a shareholder. The principle upon which Co-partnership proceeds is recognition of the necessity, in the first instance, of a wage payment to the workman for his labor, and of the right of the Capitalist to a return upon the Capital he has employed in the business; after that an equitable sharing of such profits as may remain, these to be secured to the workman by giving him an actual share in the property of the undertaking. The principle is as simple as it is just, and the practical difficulties in the way of putting it into operation are seen to be surprisingly few.

A still further stage adopted in some Co-partnership schemes is the provision of a direct share in the management of a business, as well as a share in the profits, one or more seats on the Board of Directors being expressly reserved for representatives of the workers. Thus it will be seen that while Profit Sharing is good, Co-partnership is better, for it gives to the participating worker a definite tangible share of his firm's assets, and is therefore calculated to impress him with the responsibilities of his position.



**The Late Sir G. Livesey on Co-partnership and Industrial Efficiency.**

1. Co-partnership identifies and unites the interests of employers and employed, and leads them to work together for the common good as nothing else has done or can do.

2. It relieves the Directors and the responsible officers of all anxiety in their relations with those under them, makes strikes impossible, and enables all questions between employers and employed to be settled amicably and justly, thereby preventing all difficulties and disputes.

3. It gives to the employed of all ranks a sense of responsibility and an interest in their work unknown under any other system.

4. By helping them to become owners of property, it makes their present position in life more secure, and gives them hope for the future, enabling them to make provision for old age or misfortune.

5. The unrest of the present time is largely due to the unequal distribution of property. Co-partnership effects a better distribution, and converts the "have nots" into the "haves;" thereby displacing discontent by contentment. Co-partnership is thus the best antidote to Socialism.

6. By giving men an interest in their work and in the prosperity of the business, and thereby creating a feeling of responsibility for its success, by encouraging thrift, habits of self-denial and self-control are formed, and self-respect is increased and character strengthened. The result must be better workmen and more profitable servants.

7. Co-partnership is therefore good, sound, and profitable business.

8. It fulfils Mazzini's prophecy, and proves it true that partnership must be the ultimate position of the laborer.

9. The dispute between Capital and Labor has to be settled; Co-partnership is the final and only solution.

10. There are difficulties in many trades in the way of its introduction, but they have all been easily overcome. Is it not therefore the duty of employers to lead in the great work of showing the way to peace to the world of industry, and thereby benefiting not only themselves, but the nations at large?

A word of advice. In starting Co-partnership, it is necessary to gain the confidence of the employees. To gain their trust they must be trusted, and it must be made perfectly clear that it is not simply a selfish move to benefit the business only, for if that is its sole object it will deservedly fail. There are two objects of equal importance to be attained: First, to give the employees an interest in the business beyond their salaries or wages; and, secondly, and quite as important, to enable them to permanently improve their position in life, to help to make them better men and therefore better servants. These objects must be always kept in view. Co-partnership is comradeship, brotherhood in business. This is the goal which can be won, or I should not waste your time in argument on the subject.

For sixty years have I been at work in the gas industry, and have had the privilege and the happiness of taking part in its advancement and benefit; but looking back over a long and active business life, nothing in connection therewith can compare with the satisfaction resulting from the settlement of the Capital and Labor question by Co-partnership. It was inconceivable twenty years ago, and would be still but for the fact that it has been done. Its accomplishment is due firstly to being founded on the right principle (the Golden Rule, in fact), and secondly to the whole-hearted co-operation of all concerned—shareholders, directors, officials, and foremen, and, not least, by the great majority of the workmen. A system that creates a bond of union which no other plan has done or can do, must be founded on an unassailable principle.

Our Creator has not left his creature Man without guidance, but has in a single sentence, which is proof of its divine origin, given a rule to govern all the relations and dealings of man with his fellows, in all ages and places, and under all circumstances and conditions. It is often said it is not applicable to business. It is certainly very difficult for imperfect beings such as ourselves to live up to a perfect rule. But it is the fact that the nearer we approach it the better and the happier we are. He who "spake as never man spake" did not make a mistake when He said: "Therefore all things whatsoever ye would that men should do to you,



do ye even so to them, for this is the law and the prophets." It sounds almost like sacrilege to quote those divine words in the face of one's own imperfections and shortcomings. But there they are for our guidance in all our acts and dealings; and I venture humbly and reverently to submit that their application to the business relations of employers and employed is the system known as Co-partnership.

The late Sir G. Livesey was little of a theorist, but a practical man, advocating a remedy for an evil which he saw was sapping the vitality and checking the activity of industrial life, and for a quarter of a century the company whose destinies he had guided so ably has enjoyed the inestimable blessing of industrial peace. When trade in the Port of London was at a standstill during the great strike, the company's tugs and barges went their accustomed way upon an otherwise deserted river; its carmen delivered coke and gas appliances to its usual customers when the transport workers all around it were idle. And thus, unhampered by labor troubles, its officials have been able to devote their whole energies and their entire resources to increasing the popularity of gas by improved methods of production, and by more intelligent application of its uses to solidify and strengthen the foundation upon which their business stands. Just as patriotism animates a nation, so Co-partnership can permeate a manufacturing company with its animating force, and bring back to the soulless mammoths of which industrial life is now mainly composed the same spirit of brotherhood and fellowship which animated master and man before the factory system turned its mankind—and womankind too—into mere dehumanised units of a vast mechanical organisation.

This, then, is the Co-partnership ideal, "Efficiency" inspired by hope and contentment. Industry can desire no higher one, and the path of Co-partnership is in many sincere opinions the only one by which it will be reached.

The following passage is quoted from F. W. Taylor, on "The Principles of Scientific Management" (Harper, New York, 1911):—

"During a period of nearly 30 years the employees of one company after another, including a large range and diversity of industries, have gradually changed from the ordinary to

the scientific type of management. At least 50,000 workmen in the United States are now employed under this system; and they are receiving from 30 per cent. to 100 per cent. higher wages daily than are paid to men of similar calibre with whom they are surrounded, while the companies employing them are more prosperous than ever before. In these companies the output per man and per machine has on the average been doubled. During all these years there has never been a single strike among the men working under this system. In place of suspicions, watchfulness, and the more or less open warfare which characterises the ordinary types of management, there is universally friendly co-operation between the managers and the men."

| Groups                       | Production    | Horse-power | Wage-earners | Value per wage-earner | Horsepower per 1,000 wage-earners |
|------------------------------|---------------|-------------|--------------|-----------------------|-----------------------------------|
| 1. TEXTILES, ETC.:—          | £             |             |              | £                     |                                   |
| United Kingdom ...           | 173,634,300   | 1,470,940   | 714,559      | 243                   | 2,060                             |
| United States ...            | 247,347,000   | 1,650,350   | 584,165      | 423                   | 2,826                             |
| 2. CLOTHING, ETC.:—          |               |             |              |                       |                                   |
| United Kingdom ...           | 97,368,000    | 51,443      | 590,288      | 165                   | 87                                |
| United States ...            | 354,478,000   | 291,443     | 772,444      | 459                   | 378                               |
| 3. GASWORKS, ETC.:—          |               |             |              |                       |                                   |
| United Kingdom ...           | 49,435,000    | 137,668     | 113,840      | 434                   | 1,209                             |
| United States ...            | 99,740,000    | 619,365     | 109,296      | 912                   | 5,667                             |
| 4. RAILWAY CARRIAGES, ETC.:— |               |             |              |                       |                                   |
| United Kingdom ...           | 13,187,000    | 38,824      | 48,482       | 272                   | 801                               |
| United States ...            | 49,261,000    | 198,888     | 114,654      | 432                   | 1,734                             |
| 5. PAPER, PRINTING, ETC.:—   |               |             |              |                       |                                   |
| United Kingdom ...           | 30,027,000    | 214,573     | 101,034      | 297                   | 2,124                             |
| United States ...            | 214,697,000   | 1,629,612   | 379,984      | 565                   | 4,289                             |
| 6. FOOD AND DRINK:—          |               |             |              |                       |                                   |
| United Kingdom ...           | 93,589,000    | 95,906      | 131,379      | 712                   | 730                               |
| United States ...            | 168,964,000   | 495,538     | 122,234      | 1,382                 | 4,054                             |
| TOTALS:—                     |               |             |              |                       |                                   |
| United Kingdom ...           | 457,240,000   | 2,009,354   | 1,699,582    | 269                   | 1,182                             |
| United States ...            | 1,134,487,000 | 4,885,196   | 2,082,777    | 545                   | 2,346                             |

1. Cotton goods, silks, textile dyeing, etc., leather
2. Boots and shoes, clothing, hats and caps, gloves, hosiery
3. Lime, cement, gasworks, soap and candles, paint and varnish, matches
4. Railway carriages and wagons, firearms and ammunition, clocks and watches, cutlery and tools
5. Paper, cardboard boxes, pens and pencils, printing and publishing
6. Brewing and malting, butter and cheese, cocoa, chocolate and confectionery



Indeed, in the matter of industrial efficiency we have much to learn from America. A fairly wide comparison can be made between our census of production which relates to 1907 and that of the United States for 1909, and shows startling results. The comparison as made covers 26 separate occupations, which may be combined into six groups, as under; and the figures given include value of production, horse-power employed, and number of wage-earners, with proportions shown of value produced and horse-power employed per wage-earner.

It will be seen that, taking all these trades together, the proportion of value produced per wage-earner for the year's work is £545 for the United States, as compared with £269 for the United Kingdom; but the values may not be strictly comparable, the United States may obtain less value of goods for the cost than we do. But in any case the margin in favor of the United States is very large, and is clearly explicable by the proportion of machine-power used, which is as 2346 per 1000 wage-earners in the United States compared to 1182 for the United Kingdom.

It is not to be supposed that we could at once adopt American methods; the circumstances of the two countries differ too much. Increase of trade must go hand in hand with improved mechanical appliances, or labor will be displaced; but the comparison undoubtedly shows how large a margin there remains for possible benefit either to the employer, the wage-earner, the capitalist, or the consumer.

## CONCLUSION.

The essentials of successful Profit-Sharing and Co-partnership are as follows:—

1. It must not degenerate into charity or philanthropy.
2. Its object must be the increased success of the undertaking, with increased prosperity for all connected with it.
3. It must not place Management in the position of servant to Labor through liability to criticism and censure.
4. It must ensure to Labor freedom from control of Management in the enjoyment of the benefits derived from Profit Sharing.

5. Its benefits must be felt by wives and children.

6. It must have a distinctly elevating tendency on Management and Labor, raising them in the social and intellectual scale, and increasing their power for enjoyment and happiness as well as their power of usefulness.

7. Control must remain with those who find the Capital.

Certain lessons may be learned by a study of the records of failure in profit-sharing. These are some of them:—

(a) A cash bonus, which can be dissipated without producing any permanent benefit to the recipient, is a crude and unsatisfactory arrangement which may fail at any time. It is only a stage in the evolution of Co-partnership.

(b) Conditions of labor and rates of wages which are in the slightest degree inferior to those prevailing among the best employers are fatal to the success of any profit-sharing or Co-partnership scheme.

(c) To make a condition that a workman shall contribute anything out of his ordinary earnings is to court failure.

(d) Any interference with a man's relations to trades unions or other organisations is certain to arouse a feeling of resentment.

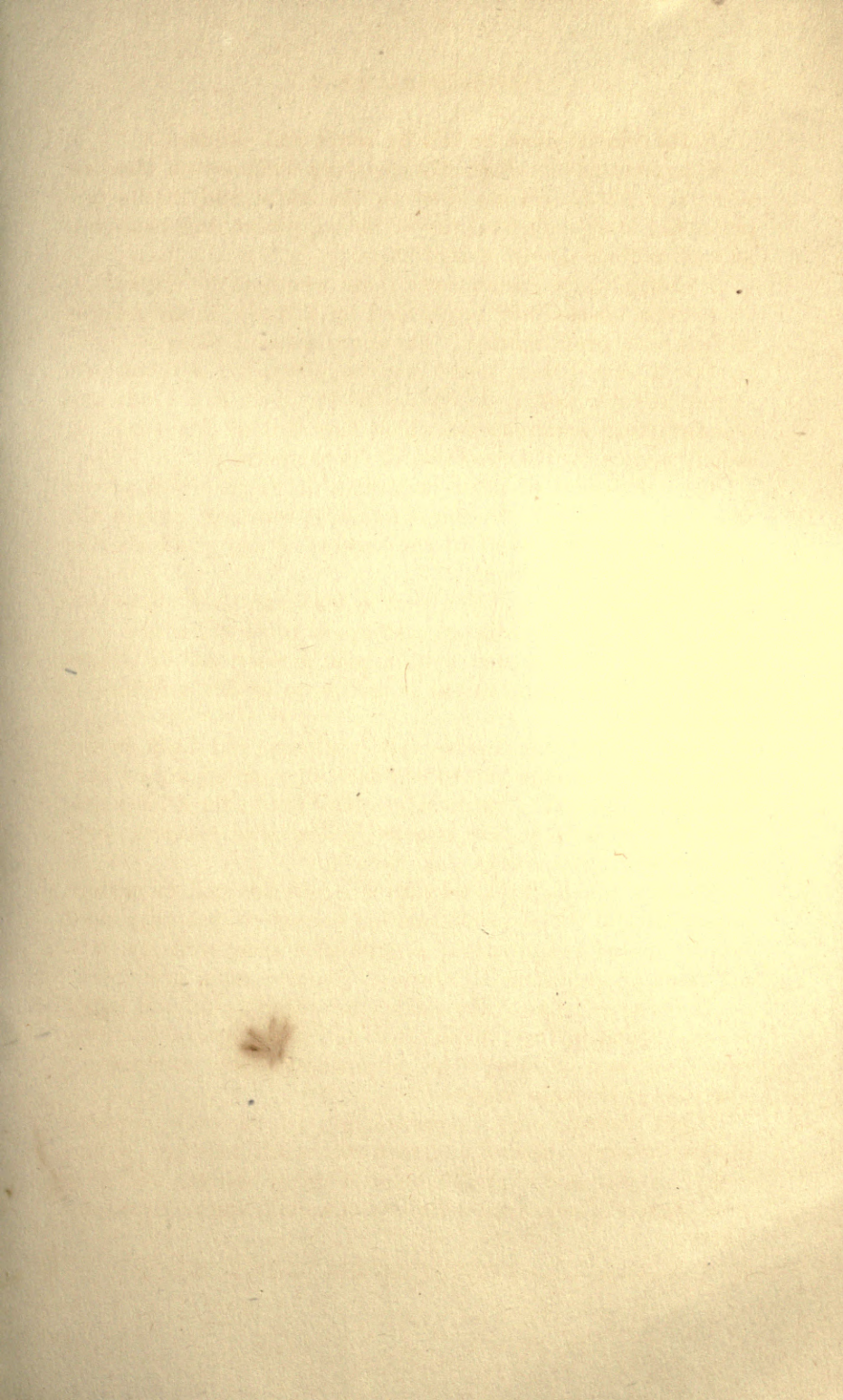
It needs considerable tact, patience, and faith in Co-partnership to enable you to convince all your employees that you really desire to permanently benefit them; for a long time there may remain a few irreconcilables who suspect your motives and misrepresent your actions.

When a scheme fails because it is not adapted to modern industrial and social conditions, or because it has been used for the undue advantage of a particular class or party, it is not fair to regard it as a failure of Co-partnership principles.

The true solution of the conflict between Capital and Labor is to be found in their union; that is, by the general distribution of shares, or other form of interest in the company or business, as the case may be.

Profit Sharing and Co-partnership is the only present method whereby master and man can work together in harmony. A wise and equitable bond of union between the three great forces in industrial activities—Capital, Management, and Labor.











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